



Kingsgate

Consolidated Limited

ABN 42 000 837 472

30 November 2010

**Via ASX Online
(127 pages including cover)**

The Manager
Company Announcements Office
ASX Limited
Sydney

Dear Sir/Madam

Kingsgate Consolidated Limited – Bidder's Statement – Laguna Resources NL

We attach, by way of service, under item 5 of sub-section 633(1) of the Corporations Act (2001) (Cth), a copy of Kingsgate Consolidated Limited's bidder's statement and offer document in relation to Kingsgate's off-market takeover bid for all of the ordinary shares in Laguna Resources NL.

Kingsgate gives notice under section 633(4) of the Corporations Act 2001 (Cth) that Kingsgate has set the date 30 November 2010 for the purpose of identifying the people to whom information must be sent under items 6 and 12 of section 633(1) of the Corporations Act 2001 in relation to the takeover bid as described in the bidder's statement dated 30 November 2010.

Peter Warren
Company Secretary

for and on behalf of
Kingsgate Consolidated Limited

BIDDER'S STATEMENT

and

TARGET'S STATEMENT

FOR RECOMMENDED OFFER

by

KINGSGATE CONSOLIDATED LIMITED

(ABN 42 000 837 472)

to acquire all of your shares in

LAGUNA RESOURCES NL

(ABN 36 008 460 366)

**For every 520 Laguna Shares (fully paid)
you will receive 1 Kingsgate Share**

**Laguna Directors unanimously recommend that you ACCEPT THIS OFFER
(in the absence of a superior offer)**

**This is an important document and requires your immediate attention. If you are in doubt
as to how to deal with this document you should consult your financial or other
professional adviser**

Legal adviser:



IMPORTANT INFORMATION

Key Dates

Bidder's Statement lodged with ASIC	Tuesday, 30 November 2010
Offer opens (date of Offer)	Thursday, 2 December 2010
Offer closes (unless extended)	5.00pm (WST) Tuesday, 11 January 2011

This Bidder's Statement is dated 30 November 2010.

This Bidder's Statement is given by Kingsgate Consolidated Limited (ABN 42 008 837 472) to Laguna Resources NL (ABN 36 008 460 366) under Part 6.5 of the Corporations Act. This Bidder's Statement includes an Offer dated 2 December 2010 to acquire your Laguna Shares and also sets out certain disclosures required by the Corporations Act.

A copy of this Bidder's Statement was lodged with the Australian Securities and Investments Commission (*ASIC*) on 30 November 2010. ASIC takes no responsibility for the contents of this Bidder's Statement.

A number of defined terms are used in this Bidder's Statement. These terms are defined in Section 13.

Investment decisions

This Bidder's Statement does not take into account the investment objectives, financial situation and particular needs of any person. Before deciding whether or not to accept the Offer you may wish to seek independent financial and taxation advice.

Forward looking statements

This Bidder's Statement contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While Kingsgate believes that the expectations reflected in the forward looking statements in this Bidder's Statement are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 9 of this Bidder's Statement, as well as other matters as yet not known to Kingsgate or not currently considered material by Kingsgate, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Bidder's Statement is qualified by this cautionary statement.

Laguna and Combined Kingsgate/Laguna Entity Information

The information in this Bidder's Statement concerning Laguna has been prepared by Kingsgate using primarily publicly available information and limited information made available to Kingsgate and has not been independently verified. Accordingly, Kingsgate does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information, other than as required by the Corporations Act.

The information on the Combined Kingsgate/Laguna Entity contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Laguna, has been prepared using publicly available information and limited information made available to Kingsgate and has not been independently verified. Accordingly, information in relation to the Combined Kingsgate/Laguna Entity is subject to the foregoing disclaimer to that extent.

The information on Laguna should not be considered comprehensive. Further information relating to Laguna may be included in Laguna's Target Statement which has been or will be sent to you by Laguna.

Dominion and Triple Combined Entity Information

The information in this Bidder's Statement concerning Dominion has been prepared by Kingsgate using primarily publicly available information and limited information made available to Kingsgate and has not been independently verified. Accordingly, Kingsgate does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information, other than as required by the Corporations Act.

The information on the Triple Combined Entity contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Dominion, has been prepared using publicly available information and limited information made available to Kingsgate and has not been independently verified. Accordingly, information in relation to the Triple Combined Entity is subject to the foregoing disclaimer to that extent.

The information on Dominion should not be considered comprehensive. Further information relating to Dominion may be found on the Dominion Website.

Offers outside Australia

Shareholders should note that the consideration to be paid or provided under the Takeover Bid is securities of Kingsgate, an Australian public company listed on the ASX. The Offer is subject to disclosure requirements in Australia which are different from those applicable in other countries. Shareholders whose address in the Laguna register of members is not in Australia or New Zealand (*Foreign Ineligible Shareholders*) will not be entitled to receive Kingsgate Shares on acceptance of the Offer (unless Kingsgate determines otherwise). Foreign Ineligible Shareholders who accept the Offer may be entitled to be paid a cash amount calculated in accordance with Section 12 of this Bidder's Statement.

This Bidder's Statement does not constitute an offer to issue or sell, or the soliciting of an offer to buy, any securities referred to in this Bidder's Statement to or from any person where, or in any jurisdiction in which, the issue, sale or purchase of such securities would be unlawful. The distribution of this Bidder's Statement to persons or in jurisdictions outside Australia may be restricted by law and any person into whose possession this Bidder's Statement comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. The Kingsgate Shares have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered or sold in the United States or to, or for the account of or benefit of, US persons except pursuant to an exemption from such registration requirements. Accordingly neither this Bidder's Statement nor the Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States, except in compliance with the requirements of an exemption from such registration requirements.

Privacy collection statement

Personal information relating to your shareholding in Laguna has been obtained by Kingsgate or its agents from Laguna in accordance with its rights under the Corporations Act. Kingsgate will share this information with its related bodies corporate, advisers and agents where necessary for the purposes of the Takeover Bid. Kingsgate, its related bodies corporate, advisers and agents will use this information solely for purposes relating to the Takeover Bid. If you would like details of your personal information held by Kingsgate or its agents please contact the Company Secretary at Kingsgate by e-mail: pwarren@kingsgate.com.au

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CHAIRMAN'S LETTER

30 November 2010

Dear Laguna Shareholder

The Kingsgate Board is delighted to provide you with the opportunity to participate in the merger of Laguna's assets with Kingsgate's own strong portfolio of assets, and to welcome you as a shareholder of our organisation.

The proposed offer by Kingsgate to acquire all of the issued shares in Laguna which was announced on 25 October 2010 has been unanimously recommended by the Board of Laguna, in the absence of a superior proposal. I believe the Takeover Bid is attractive both in terms of the premium offered to Laguna shareholders and the opportunities available as a Kingsgate shareholder, given the company's strategy of consolidating its position as one of the ASX's premier-mid tier gold producers. The offer of 1 Kingsgate share for every 520 Laguna Shares values each Laguna share at approximately 2.0 cents based on Kingsgate's last closing price prior to announcement of the Takeover Bid. This provides you with a 37% premium to the 5 day volume weighted average price of Laguna Shares prior to the announcement of the Takeover Bid.

The Offer is not subject to any minimum acceptance condition or any other condition. This means that when you accept for your Laguna Shares, you will be allotted Kingsgate Shares shortly thereafter and those Kingsgate Shares will have the same rights as existing Kingsgate Shares.

The transaction is value enhancing for Laguna shareholders, assuming, following bid completion, that control passes to Kingsgate. As shareholders in Kingsgate, Laguna shareholders will be investors in a growing gold producer with a proven and experienced Board and management team, strong cash flows and access to a diversified and growing asset base.

Kingsgate's key producing asset is currently the Chatree gold mine in Thailand with resources of 4.32m oz, reserves of 1.93m oz and which produced 132,628 oz in the year ended 30 June 2010. The Company is proposing to expand its portfolio through acquiring all of the issued shares and options in Dominion Mining Limited (*Dominion*) by way of a scheme of arrangement. Dominion owns the Challenger gold mine in South Australia which has resources of 0.95m oz, reserves of 0.42m oz and which produced 80,570 oz in the year ended 30 June 2010. If the Dominion Schemes are approved by Dominion Shareholders and the Court, Kingsgate will have the potential to produce up to 300,000 oz of gold per annum once the current expansion plans at Chatree are fully operational.

The combination of Kingsgate and Laguna will leverage the synergy between Kingsgate's South American commercial and technical experience and Laguna's Chilean focussed management. Through such a combination and using Kingsgate's stronger financial resources and technical and developmental expertise, we intend to fast track the Arqueros silver and gold project through to final feasibility study.

There are also advantages in holding Kingsgate Shares rather than Laguna Shares. You will benefit from geographical and project diversification and benefit from being a shareholder in a company with sustainable cash flow, strong balance sheet and enhanced stock market liquidity.

On behalf of the Kingsgate Board, I encourage you to carefully read the details of our Offer and I look forward to shortly welcoming you as a shareholder of Kingsgate.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ross Smyth-Kirk', with a stylized, cursive script.

Ross Smyth-Kirk
Chairman

REASONS WHY YOU SHOULD ACCEPT KINGSGATE'S OFFER

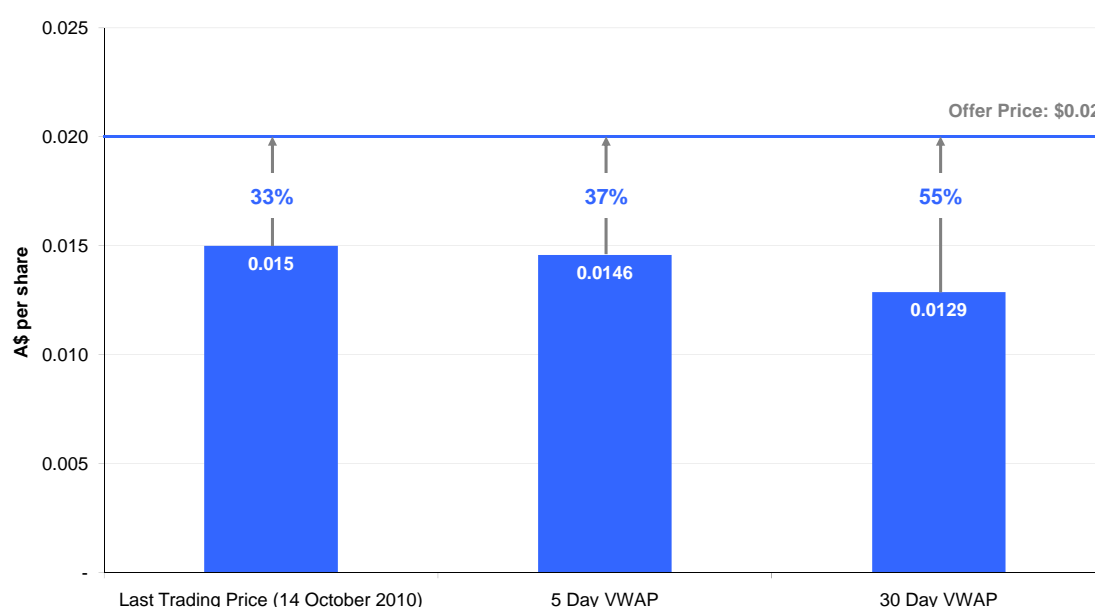
- **The Offer price presents a significant premium to Laguna's pre-Offer share price**

The Offer represents a significant premium to the trading levels of Laguna Shares prior to the Announcement Date.

The consideration under the Takeover Bid comprises 1 Kingsgate Share for every 520 Laguna Shares (except for Laguna Shares which are partly paid). Based on the closing price of Kingsgate Shares on the ASX on 22 October 2010 (being the last trading day prior to announcement of the Takeover Bid) of A\$10.43, the value of the scrip consideration under the Takeover Bid (Implied Offer Price) is 2.0 cents per Laguna Share.

Figure 1 below illustrates the attractive premiums (from 33% – 55%) this Implied Offer Price represents to the trading prices of Laguna Shares prior to the Announcement Date.

Figure 1: Kingsgate's Implied Offer Price Premium to Laguna Share Price



Notes:

- VWAP means the volume weighted average price of Laguna Shares for the stated number of trading days to 14 October 2010, being the last trading day prior to Laguna Shares being placed in a trading halt and the subsequent announcement of the Takeover Bid.
- The Implied Offer Price is based on Kingsgate's Offer of one Kingsgate Share for every 520 Laguna Shares and the closing price on the ASX for Kingsgate Shares on 22 October 2010 (the last trading day before the announcement of the Takeover Bid) of A\$10.43.
- Eligible Laguna shareholders who accept the Offer will be issued Kingsgate Shares in accordance with the terms of the Offer and the reference to the Implied Offer Price should not be taken as suggesting that Laguna shareholders that accept the Offer will receive cash. The Implied Offer Price is not fixed. As you are being offered Kingsgate Shares as consideration for your Laguna Shares, the Implied Offer Price will vary with the market price of Kingsgate Shares.

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- As permitted by ASIC Class Order 07/429, Figure 1 contains ASX share price trading information sourced from IRESS without its consent.

- **The Offer gives you the opportunity to become a shareholder in Kingsgate, one of the ASX's premier mid-tier gold producers with development and exploration upside**

The Offer is not subject to a minimum acceptance condition or any other condition. Therefore, once they accept the Offer, eligible Laguna shareholders will become Kingsgate shareholders. Kingsgate is consolidating its position as one of the ASX's premier mid-tier gold producers. Kingsgate's key producing asset is currently the Chatree gold mine in Thailand and Kingsgate is planning to expand its portfolio through implementing a scheme of arrangement with Dominion Mining Limited which owns the Challenger gold mine in South Australia.

Given Kingsgate's strong balance sheet, robust production growth outlook and experienced Board and management team, Kingsgate will continue to seek out additional growth opportunities from which to further create value for Kingsgate shareholders.

See Section 2 for further information on Kingsgate's projects.

- **It is more likely that Laguna's silver and gold assets will be developed under Kingsgate's ownership**

Kingsgate has the balance sheet, management team and solid track record and proven experience in developing mineral projects (see Section 2 for further information) which will enhance the likelihood of developing Laguna's silver and gold assets.

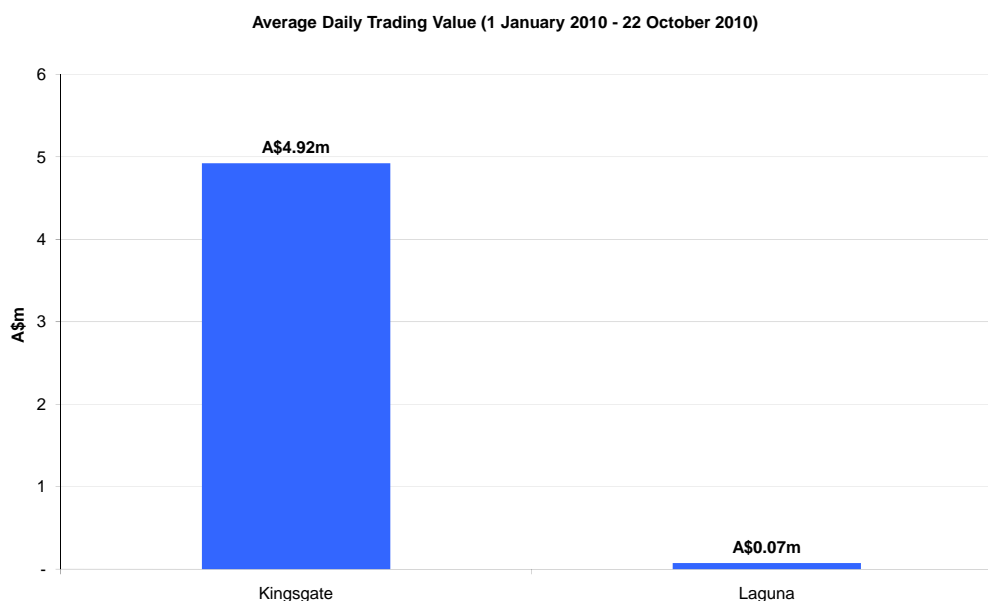
The management team have successfully developed and operated the Chatree gold mine in Thailand for over 8 years and are currently undertaking a major plant expansion which will result in throughput more than doubling to over 5mt pa once the expansion has been commissioned. Furthermore, senior management and Kingsgate Board members have been involved in developing and operating three mines in Chile as well as mines in several other countries including Australia, Papua New Guinea and Canada.

Furthermore, substantial funds will be required to complete the feasibility study and exploration drilling at Arqueros and potentially the construction of a mine and processing facility. Laguna currently does not have any cash-generating assets and will require further funding in the near future to undertake this work. However, Kingsgate has a strong balance sheet and operating cash flow to fund such expenditures.

- **You will benefit from the enhanced equity market presence and liquidity of the merged entity**

Kingsgate is included in a number of ASX indices published by Standard & Poor's (in particular the S&P ASX200 index), has extensive stock broker research coverage and Kingsgate Shares are significantly more liquid than Laguna Shares. As shown in the Figure 2 below, prior to the Announcement Date, the historical average daily trading value of Kingsgate Shares on the ASX since 1 January 2010 is significantly greater than the trading value of Laguna Shares. As a holder of Kingsgate Shares, should you choose to sell your holding, you will, in general, be able to do so much more rapidly than if you held Laguna Shares of the same value.

Figure 2: Comparison of Average Daily Trading Values of Kingsgate and Laguna



Notes:

- Trading value on ASX stated in Australian dollars.
- As permitted by ASIC Class Order 07/429, Figure 2 contains ASX share price trading information sourced from IRESS without its consent.
- **The Offer is unanimously recommended by the Laguna Directors, in the absence of a superior offer**

The Laguna Directors have unanimously recommended the Takeover Bid, in the absence of a superior offer. The Laguna Directors who hold Laguna Shares have also indicated that they intend to accept the Offer in respect of their own shareholdings, in the absence of a superior offer.

Kingsgate has entered into pre-bid acceptance agreements with three Laguna shareholders (including two Directors, or their Associates), representing 10.25% of the Laguna Shares on issue.

- **There is no higher offer and given Kingsgate's existing 9.6% interest the likelihood of another bidder emerging is low**

As at the date of this Bidder's Statement, no other party has made a takeover offer for Laguna Shares. Kingsgate has a current holding of approximately 9.6% of the Laguna Shares on issue, which increases to 19.83% when combined with the pre-acceptance agreements made with three Laguna shareholders. As a result, the prospect of a rival bid is considered by Kingsgate to be low.

Unless Kingsgate agrees to sell into a competing bid for Laguna, its current shareholding precludes any other bidder from acquiring the 90% minimum ownership level required to proceed to compulsory acquisition under the Corporations Act. In addition, Kingsgate's shareholding would also make it very difficult, albeit not impossible, for another party to acquire control of Laguna through a scheme of arrangement without Kingsgate's agreement.

- **You may be eligible for tax rollover relief**

If, as a result of the Takeover Bid, Kingsgate becomes the holder of 80% or more of Laguna Shares, and Laguna shareholders would otherwise make a capital gain in respect of the disposal of Laguna Shares, Laguna shareholders may be entitled to CGT scrip-for-scrip rollover relief. Such rollover relief may allow Laguna shareholders to disregard any capital gain, in whole or in part, that they would otherwise arise in respect of the disposal of their Laguna Shares.

See Section 10 for further information in relation to the availability of CGT rollover relief and taxation considerations generally. See also Section 10 for details of the risks of this rollover relief not being available under the Takeover Bid in certain circumstances.

THE DOMINION SCHEMES

On 20 October 2010, Kingsgate and Dominion announced to the ASX that they had signed a Scheme Implementation Agreement under which:

- Kingsgate proposes to acquire all of the issued Dominion Shares under a scheme of arrangement between Dominion and the Dominion Shareholders (the *Dominion Share Scheme*); and
- Kingsgate proposes that all outstanding Dominion Options will be cancelled under a separate scheme of arrangement between Dominion and the Dominion Optionholders (the *Dominion Option Scheme*).

A scheme of arrangement is a statutory creation that is governed by Part 5.1 of the Corporations Act. In broad outline, the scheme of arrangement is a procedure that can be used to effect a change of control transaction (by a transfer of all of the shares in the target company to a third party) that involves a target company and its members. If all of the relevant statutory requirements are satisfied, a scheme will bind the target company and its members.

In relation to the Dominion Share Scheme, the proposal is that each Dominion Shareholder will receive 0.31 Kingsgate Shares for every 1 Dominion Share held on the Scheme Record Date (subject to rounding).

In relation to the Dominion Option Scheme, the proposal is that each Dominion Optionholder will receive the Option Scheme Consideration for the cancellation of the Dominion Options held on the Scheme Record Date, being between 0.02943 and 0.08519 Kingsgate Shares per Dominion Option depending on the exercise price and the expiry date of the options held (subject to rounding).

The scheme meetings of Dominion Shareholders and Dominion Optionholders to consider this proposal are scheduled to take place in early February 2011, and if approved by the scheme meetings and the Court, the implementation date is expected to occur in February 2011.

In a number of places throughout this Bidder's Statement, there are references to the impact of the Dominion Schemes on Kingsgate – in the form of the Triple Combined Entity. That is because if:

- the Takeover Bid is accepted by the requisite number of Laguna Shareholders so that Laguna becomes a controlled entity of Kingsgate; and

-
- the Dominion Schemes are approved by requisite majorities of Dominion Shareholders, Dominion Optionholders and the Court, and those schemes are implemented, then Dominion will become a wholly-owned subsidiary of Kingsgate, then Kingsgate will take the form of the Triple Combined Entity.

The Dominion Share Scheme is conditional on the Dominion Option Scheme being implemented, unless Kingsgate waives the requirement for the Dominion Option Scheme to be implemented. Accordingly, if the Dominion Option Scheme is not approved by Dominion Optionholders, the Dominion Share Scheme may still proceed if Kingsgate waives the relevant condition.

The Dominion Option Scheme is, however, conditional on the Dominion Share Scheme being implemented. Accordingly, if the Dominion Option Scheme is approved by Dominion Optionholders but the Dominion Share Scheme is not approved by Dominion Shareholders or by the Court, then the Dominion Option Scheme will not proceed.

Accordingly, the proposed Dominion Schemes are a matter that Laguna shareholders should have regard to when assessing particular aspects of the merits of this Offer.

KEY QUESTIONS

This Section answers some key questions that you may have about the Takeover Bid and should only be read in conjunction with the entire Bidder's Statement.

1. WHAT IS THE BIDDER'S STATEMENT?

The Bidder's Statement sets out the terms of Kingsgate's Offer and information relating to the Takeover Bid and the consideration you will receive.

2. WHAT IS THE TAKEOVER BID?

Kingsgate is offering to acquire your Laguna Shares by way of an off-market takeover offer. The Offer extends to all Laguna Shares that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, Convertible Securities.

The Offer consideration is 1 Kingsgate Share for every 520 Laguna Shares (except for Laguna Shares which are partly paid).

If you become entitled to a fraction of a Kingsgate Share under this Offer, the number of Kingsgate Shares you are entitled to will be rounded up to the nearest whole number (if the fraction is 0.5 or greater) or rounded down to the nearest whole number (if the fraction is less than 0.5). This fractions policy may result in an entitlement to zero Kingsgate Shares in many cases – refer Question 14.

3. WHAT IS THE VALUE OF THE TAKEOVER BID?

Based on the closing price of a Kingsgate Share on the ASX on 22 October 2010 (the last trading day before the announcement of the Takeover Bid) the implied Offer value is 2.0 cents per Laguna Share. The implied value of the Offer will change as a consequence of changes in the market price of Kingsgate Shares. For example, as at 26 November 2010, Kingsgate Shares were trading at \$10.07, which makes the implied Offer value 1.94 cents per Laguna Share.

4. WHO IS KINGSGATE?

Kingsgate operates in the mining sector. Kingsgate is a low cost gold producer and a highly successful gold mining and exploration company, traded on the ASX (KCN). The company owns and operates the Chatree gold mine in central Thailand through its Thai subsidiary, Akara Mining Limited (*Akara*), using world's best practice for safe, environmental and socially responsible operations. Kingsgate has also announced the Dominion transaction: see the information on the Dominion Schemes on page [6] of this Bidder's Statement.

5. WHAT ARE THE TAX CONSEQUENCES IF I ACCEPT THE OFFER?

Please consult your financial, tax or other professional adviser on the tax implications of accepting the Offer. However, a general summary of the likely Australian tax consequences is set out in Section 10.

6. HOW DO I ACCEPT THE OFFER?

To accept the Offer you should follow the instructions set out in Section 12.7.

7. CAN I ACCEPT THE OFFER FOR PART OF MY HOLDING?

No, you can only accept for all of your holding. Your acceptance will be treated as being for all your Laguna Shares plus any additional Laguna Shares registered as held by you at the date your acceptance is processed.

8. WHAT HAPPENS IF I DO NOT ACCEPT THE OFFER?

Subject to what is stated below, you will remain the holder of your Laguna Shares if you do not accept the Offer.

If Kingsgate obtains a relevant interest in at least 90% of the Laguna Shares (by number) on issue at any time during the Offer Period, Kingsgate presently intends to proceed to compulsorily acquire your Laguna Shares if you have not accepted the Offer (see Section 6.6). At the conclusion of the compulsory acquisition process, you will receive 1 Kingsgate Share for every 520 Laguna Shares which are compulsorily acquired (except for Laguna Shares which are partly paid), with fractions being rounded up or down. You will receive the consideration for your Laguna Shares sooner if you accept the Offer.

If Kingsgate has an interest in less than 90% of the Laguna Shares, Kingsgate will not be able to proceed to compulsorily acquire your Laguna Shares. Kingsgate's intentions if it has an interest in less than 90% of Laguna Shares are described in Section 6.

9. CAN I WITHDRAW MY ACCEPTANCE?

No, you cannot withdraw your acceptance because there is no withdrawal right under either the common law or the Corporations Act.

10. WHEN DOES THE OFFER CLOSE?

The Offer is currently scheduled to close at 5.00pm (WST) on 11 January 2011, unless extended or withdrawn.

11. CAN KINGSGATE EXTEND THE OFFER PERIOD?

Yes, the Offer can be extended by Kingsgate or otherwise in accordance with the Corporations Act. You will be sent written notice of any extension where required by the Corporations Act.

12. CAN I SELL ON THE MARKET THE SHARES I RECEIVE FROM ACCEPTING THE OFFER?

Yes. You will be able to sell on the ASX the Kingsgate Shares you receive.

13. WHAT IF I AM A FOREIGN SHAREHOLDER?

Certain foreign holders of Laguna Shares will not be entitled to receive Kingsgate Shares on accepting the Offer. These foreign shareholders who accept the Offer will be paid the net cash sale proceeds of Kingsgate Shares which they would otherwise

have received (see Section 12.15). The foreign holders to which this applies are (unless Kingsgate determines otherwise) holders of Laguna Shares whose address as shown in the register of members of Laguna is in a jurisdiction other than Australia and its external territories or New Zealand.

14. WHAT IF I AM ENTITLED TO ZERO OR AN UNMARKETABLE PARCEL OF KINGSGATE SHARES?

If you accept this Offer and the total number of Kingsgate Shares you are entitled to receive as consideration under this Offer is an unmarketable parcel, then you will be paid the net cash sale proceeds of Kingsgate Shares which you would otherwise have received (see Section 12.16). An unmarketable parcel for this purpose is such number of Kingsgate Shares that has a total value of less than \$500, calculated based on the highest closing price for Kingsgate Shares on the ASX during the Bid Period.

You should consider the fractional entitlement policy mentioned in Question 2 above, as it may result in an entitlement to a lower number of Kingsgate Shares or zero Kingsgate Shares.

If you hold less than or equal to 259 Laguna Shares, or less than \$500 worth of Laguna Shares, then you may wish to consider selling your Laguna Shares on the ASX using the services of a stock broker, instead of accepting the Offer. The price that you receive may be less than, or greater than, the implied value of the Offer, and you may incur selling expenses. Before deciding whether or not to accept the Offer you may wish to seek independent financial and taxation advice.

15. IF I ACCEPT THE OFFER, WHEN WILL I RECEIVE KINGSGATE SHARES?

If you accept this Offer, Kingsgate will, in the usual course, issue you with Kingsgate Shares on or before the earlier of:

- (a) the day 1 month after you accept this Offer; and
- (b) the day 21 days after the end of the Offer Period.

Within these deadlines, subject to the processing of the transfer forms by Laguna's share registry, Kingsgate will issue and allot the Kingsgate Shares to those persons who accept the Offer, daily during the first week that the Offer is open, to persons who accept by 3.00pm WST the day before.

Full details of when you will be issued Kingsgate Shares are set out in Section 12.12.

16. WILL I NEED TO PAY BROKERAGE OR STAMP DUTY IF I ACCEPT THE OFFER?

You will not pay any stamp duty on accepting the Offer.

If your Laguna Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Kingsgate, you will not incur any brokerage connected with you accepting the Offer.

If your Laguna Shares are in a CHESS Holding or you hold your Laguna Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it

will charge any transaction fees or service charges connected with you accepting the Offer.

17. WHAT ARE THE CONDITIONS TO THE OFFER?

The Offer is not subject to any conditions. This means that, if you accept the Offer, a binding contract will arise and you cannot withdraw your acceptance.

18. ARE THERE ANY RISKS IN ACCEPTING THE OFFER?

If you accept the Offer you will become a shareholder in Kingsgate. There are risks in holding Kingsgate Shares and these are summarised in Section 9. You are already exposed to several of these risks, to varying degrees, as a result of holding Laguna Shares.

WHAT YOU SHOULD DO NEXT

- Step 1:** Carefully read the entire Bidder's Statement and consider the information provided.
- Step 2:** Read the Target's Statement provided by Laguna.
- Step 3:** If you need advice, consult your Broker or your legal, financial or other professional adviser.
- Step 4:** If you wish to accept the Offer follow the instructions below.

HOW TO ACCEPT THE OFFER

You should read Section 12.7 for full details on how to accept the Offer.

CHESS Holdings

If your Laguna Shares are in a CHESS Holding, to accept you must either:

- instruct your Controlling Participant (usually your Broker) to accept the Offer on your behalf; or
- complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.

Issuer Sponsored Holdings

If your Laguna Shares are in an Issuer Sponsored Holding, to accept you must complete, sign and return the Acceptance Form in accordance with the instructions on it.

If your SRN begins with an "I", this indicates that your Laguna Shares are in an Issuer Sponsored Holding.

Participants

If you are a Participant (as defined in the ASX Settlement Rules) (typically, a stockbroker who is a participating organisation of ASX Settlement), the above does not apply. To accept the Offer you must initiate acceptance in accordance with the ASX Settlement Rules.

1. SUMMARY OF THE OFFER

The Bidder	Kingsgate is the company making the Takeover Bid.
The Offer	Kingsgate offers to acquire all of your Laguna Shares.
Offer consideration	<p>You are offered 1 Kingsgate Share for every 520 Laguna Shares. (However, different consideration applies for Laguna Shares which are partly paid).</p>
Closing date	Unless withdrawn or extended the Offer is open until 5.00pm WST on 11 January 2011.
Payment date	<p>If you accept this Offer Kingsgate will, in the usual course, pay or provide you with the consideration for your Laguna Shares to which Kingsgate acquires good title on or before the earlier of:</p> <ul style="list-style-type: none">▪ the day 1 month after you accept this Offer and▪ the day 21 days after the end of the Offer Period. <p>Within these deadlines, subject to the processing of the transfer forms by Laguna's share registry, Kingsgate will issue and allot the Kingsgate Shares to those persons who accept the Offer, daily during the first week that the Offer is open, to persons who accept by 3.00pm WST the day before.</p> <p>Full details on when you will be paid or provided with your consideration are set out in Section 12.12.</p>
Conditions	The Offer is not subject to any conditions.
How to accept	<p>CHESS Holdings</p> <p>You should read Section 12.7 for full details on how to accept the Offer. If your Laguna Shares are in a CHESS Holding, to accept you must either:</p> <ul style="list-style-type: none">▪ instruct your Controlling Participant (usually your Broker) to accept the Offer on your behalf; or▪ complete, sign and return the Acceptance Form in accordance with the instructions on it. <p>Issuer Sponsored Holdings</p> <p>If your Laguna Shares are in an Issuer Sponsored Holding, to accept you must complete, sign and return the Acceptance Form.</p> <p>Signed Acceptance Forms must be received before the end of the Offer</p>

Period at:

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
Australia

A business reply-paid envelope is enclosed.

No stamp duty You will not pay any stamp duty on accepting the Offer.

Further information For questions about your Laguna Shares, the Offer or how to accept the Offer please refer to the remainder of this Bidder's Statement.

2. INFORMATION ON KINGSGATE

2.1. Background

Kingsgate is a low cost gold mining and exploration company headquartered in Sydney, Australia. The company owns and operates the Chatree Gold Mine (**Chatree**) in central Thailand through its Thai subsidiary, Akara Mining Limited (**Akara**). As at 26 November 2010, Kingsgate had a market capitalisation of approximately \$1.0 billion.¹

Chatree is the largest gold mine in Thailand in terms of ore mined and gold produced. It is located approximately 280 kilometres north of Bangkok, straddling the two provinces of Phichit and Phetchabun in Central Thailand. Chatree is comprised of the Chatree Mining Leases at which Kingsgate commenced commercial production in November 2001, the Chatree North Mining Leases at which Kingsgate began production in November 2008 and the Chatree processing plant.

Between commissioning in November 2001 and 30 September 2010, Chatree produced 1.07 million ounces of gold and 3.55 million ounces of silver at cash operating costs which ranked Kingsgate as one of the lowest cost gold operators in the world.²

2.2. Kingsgate's strategic direction

Kingsgate's strategy is to consolidate its position as one of the ASX's premier mid-tier gold producers by optimising the value of Chatree and growing and diversifying its asset base through the acquisition of new projects and exploration success. The implementation of this strategy is intended to maximise shareholder value in both the short and long term.

(a) **Optimising full value of Chatree**

Several strategies are being implemented to realise full value from Chatree. These include the following:

¹ Based on the closing price of Kingsgate Shares on ASX on 26 November 2010 of \$10.070.

² Gold Fields Mineral Survey, April 2010.

-
- increasing nameplate capacity from 2.3 million tonnes per annum to 5 million tonnes per annum through the construction of the Chatree North Processing Plant (expected to be completed in the September quarter 2011);
 - increasing the resource and reserve base both on the current Chatree and Chatree North Mining Leases and in the surrounding areas through an extensive mine and regional exploration program; and
 - utilising efficient operating procedures to maintain the current competitive operating cost structure.

(b) Pursue new growth initiatives

Kingsgate constantly reviews growth initiatives in order to build a pipeline of projects at various stages of development. When assessing potential growth opportunities, the following key principles are used to ensure a project meets Kingsgate's strategic objectives:

- the opportunity for Kingsgate to unlock value through utilising its technical and operating expertise and capital base;
- primary focus on Australasia, South East Asia and South America with opportunities outside of these areas to be pursued only on an opportunistic basis; and
- potential to diversify Kingsgate's portfolio both geographically and operationally.

In addition to Laguna, the proposal in respect of the Dominion Schemes is an example of Kingsgate implementing this strategy.

(c) Adherence to operational best practice

Kingsgate prides itself on its best practice policies in safety, the environment and social responsibility.

For operational quality and safety, Kingsgate has adopted international standards including: ISO 9001, Quality Assurance Standard; ISO 14001, Environmental Management Standard; OHSAS 18001, Occupational Health and Safety Management Standard; ISO 17025, Laboratory Standard; and ICMC, International Cyanide Management Code accreditation.

Based on Kingsgate's Lost Time Injury Frequency Rate (**LTIFR**) of zero, Chatree is one of the safest gold mines in the world with over 14.6 million hours worked since the last (and only) Lost Time Injury (**LT**I) and with no fatalities. Kingsgate is the world's first mining company to gain accreditation under Social Accountability SA8000.

There have been no reportable environmental incidents during the life of Chatree and it remains in compliance in all material respects with all applicable environmental regulations under the approved Environmental Impact Assessment (**EIA**).

Kingsgate demonstrates its commitment to the local community by maintaining a work force comprised 99% of Thai nationals, of whom approximately 80% are from local villages. Approximately 31% of Kingsgate's management positions are occupied by women. Kingsgate has also

implemented a "Buy Thai Policy" which has resulted in more than 90% of line items in the Chatree warehouse being sourced from Thailand.

2.3. Kingsgate's key attributes

(a) Attractive operating cost structure at Chatree

For the year ended 30 June 2010, Chatree's cash operating cost was US\$335 per ounce of gold after royalties, which ranks it in the lowest quartile of the global cost curve for gold producers.³ The factors contributing to Chatree's low cost structure include:

- low extraction or mining cost. Ore is mined from several open pit mines which are located in close proximity to the processing plant. The resultant low ore haulage costs combined with a low life of mine strip ratio of 3.7:1 and an efficient local contract mining company (LotusHall) ensure that operating costs remain competitive;
- high recoveries of gold (which generally exceed 90%) given the metallurgical characteristics of the ore treated;
- competitive input costs as Kingsgate sources a significant proportion of its requirements from local suppliers;
- Chatree is well located close to critical infrastructure. In particular it has access to electricity from the local power grid at globally competitive market rates; and
- efficiency and attractive cost structure of the Thai labour workforce.

(b) Large resource and reserve base at Chatree with significant potential for further increases

As of 30 June 2010, Chatree had a gold resource of 4.32 million ounces (using a 0.3 grams per tonne cut-off grade) and a gold reserve of 1.93 million ounces (using a 0.4 grams per tonne cut-off grade). Based on the current mine plan and incorporating the planned commissioning of the Chatree North Processing Plant, the current gold reserve is sufficient for a mine life of 12 years. If additional gold resource is converted into reserve, the mine life would be expected to increase.

Potential exists for the delineation of additional reserves and resources on the Chatree Mining Leases and Chatree North Mining Leases based on Kingsgate's understanding of the underlying geology, the exploration targets already identified and the prevailing spot gold prices (which are significantly higher than those used in its current reserve calculation). Particular opportunities include:

- at the Chatree North Mining Leases, the expansion of the current open pit design in certain existing pits which contain the majority of currently identified resource and reserve;
- further exploration drilling programs to test the deep, higher grade feeder zones at both the Chatree Mining Leases and Chatree North

³ Gold Fields Mineral Survey, April 2010.

Mining Leases to follow up previously identified areas of interest;
and

- the original Chatree Mining Leases were predominately mined when gold prices were US\$350 to US\$600 per ounce. Potential exists in, around and underneath some of the existing pits, which may allow for some or all of these pits to be reopened or deepened. Potential also exists to access ore utilising underground mining techniques.

(c) Exploration potential in Thailand

Kingsgate believes there is significant potential for future gold discoveries not only in the area of its current operations, but given the very favourable geology, through greenfield exploration in Thailand.

Kingsgate currently has 52 special prospecting licences (**SPLs**) and 76 applications for special prospecting licences (**SPLAs**) covering approximately 1,837 square kilometres in the Phitsanulok, Phichit, Phetchabun, Lop Buri, Rayong and Chantaburi provinces in Thailand. A total of 53 prospects have been identified to date, most of which are within the contiguous SPL/SPLA area in the immediate vicinity of Chatree. Seven mineralised districts, comprising Chokdee, Suwan, Nok Kaeo, Singto, Sua Dao, Mangkorn and Chang Puek, have been recognised within this area, each containing at least one or more major prospects.

If discoveries are made in the immediate vicinity of Chatree, the potential exists to transport and process the ore through the existing processing facilities. Larger, more regional discoveries are most likely to be developed as stand alone operations.

(d) Unhedged gold price exposure

Kingsgate has no hedging commitments on any gold production from Chatree and has no current plans to change this strategy. There are two key resulting consequences:

- being unhedged fully exposes Kingsgate to movements in the gold price, meaning its financial results are positively impacted from any increases in gold price and adversely impacted by any decreases in gold price; and
- Chatree's gold reserves as at 30 June 2010 were calculated using a gold price of US\$950 per ounce. The spot gold price is currently significantly higher than this level and if maintained, a higher gold price will likely be used in the future for reserve calculations. This will allow a lower cut-off grade to be used and a higher proportion of contained gold in the resource base to be mined through expansion and deepening of the open pits.

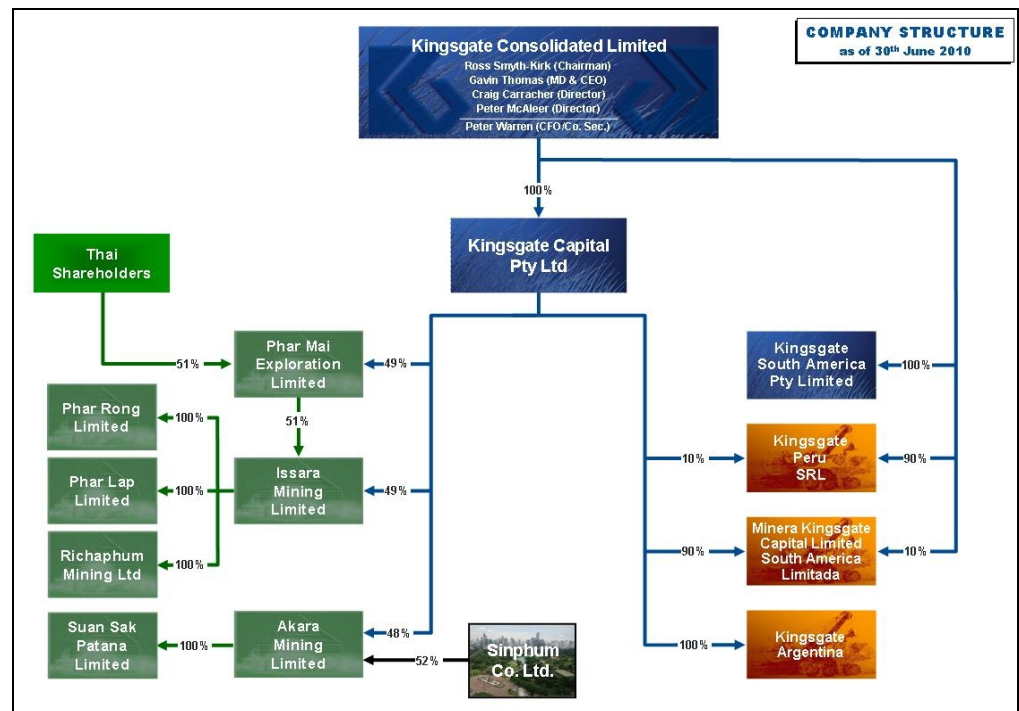
(e) Senior technical and corporate management expertise

The senior technical and corporate management team of Kingsgate have extensive experience in the gold and minerals exploration and production industry, particularly in the development of low sulphidation epithermal gold deposits. This experience can be used to identify new growth opportunities in the key geographic areas of interest and in particular epithermal gold and silver deposits.

2.4. Overview of Kingsgate

(a) Corporate structure

Kingsgate's group structure is set out below.



*Notes:

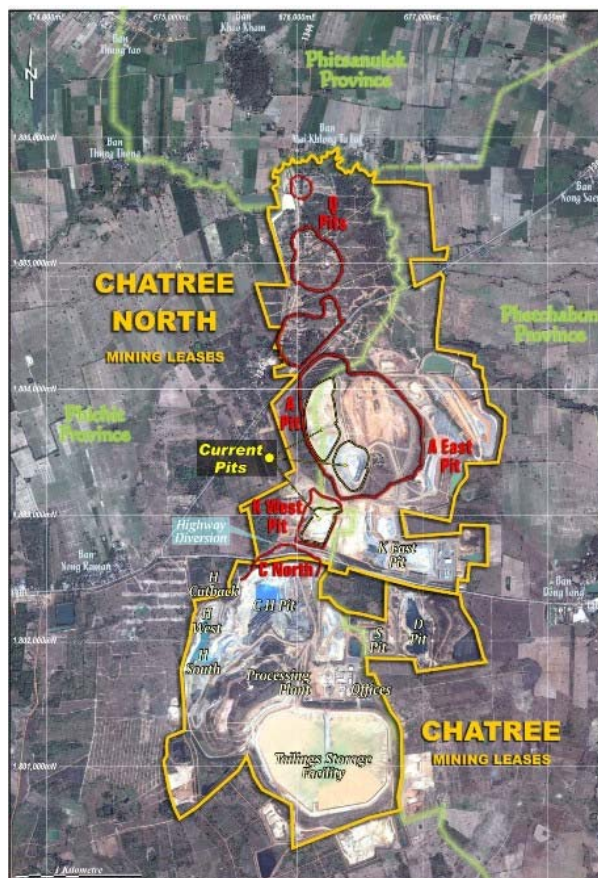
- For further information regarding the ownership of Akara, see Section 2.10 of this Bidder's Statement.
- The shares held by Sinphum Co Ltd in Akara Mining Limited, and the shares held by the Thai shareholders in Phar Mai Exploration Limited, are preference shares.

(b) Major assets

(i) Chatree

Chatree is located 280 kilometres north of Bangkok and straddles the two provinces of Phichit and Phetchabun in Central Thailand. Whilst this is a predominately rural area, there is a developed system of infrastructure including paved roads and highways from Bangkok to the mine entrance, a local power grid passing within 1.5 kilometres of the mine gate and a large pool of labour in surrounding villages and cities.

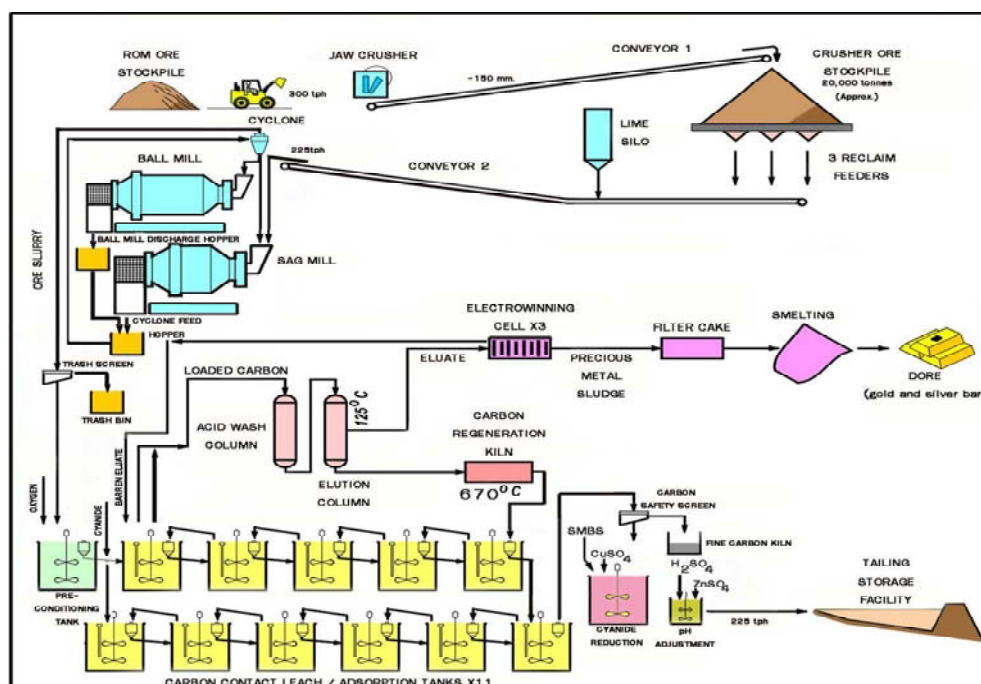
Construction commenced at Chatree in December 2000, with commercial production beginning in November 2001. Chatree includes the Chatree Mining Leases (commercial production commenced in November 2001), the Chatree North Mining Leases (production commenced in November 2008) and the Chatree processing plant.



Chatree is a low sulphidation style epithermal gold-silver deposit. It is located within the Loei-Phetchabun Volcanic Belt which runs north to south through Thailand and is associated with the Circum-Pacific Rim of Fire. This belt is rich in mineral deposits and extends from the southern tip of South America to North America, East Asia and Oceania.

Mining at Chatree is undertaken using conventional large-scale mining methods to extract the gold ore from several open pits. Mining costs are kept low due to a low average life of mine strip ratio of 3.7:1, a low ore haulage cost arising from the proximity of ore bodies to processing facilities and an efficient local mining contractor (LotusHall). Gold is recovered using a simple metallurgical process that is common for low sulphidation epithermal gold deposits. This results in overall gold recoveries generally exceeding 90%.

A flow sheet outlining the key steps is shown below:



The original plant had a nameplate capacity of 1 million tonnes per annum, but has since undergone two upgrades to reach its current 2.3 million tonnes per annum nameplate capacity.

Kingsgate is currently undertaking the construction of a new processing plant adjacent to the existing plant. The Chatree North Processing Plant will increase the nameplate processing capacity to 5 million tonnes per annum and is anticipated to be commissioned in the September quarter 2011. Chatree has historically operated above its nameplate capacity and expects to continue to do so in the future. Assuming the Chatree North Processing Plant is completed and becomes fully operational, Chatree gold production levels have the potential to increase to a rate of up to 200,000 ounces per annum.

Ausenco has been awarded the Engineering, Procurement, Construction, Management (EPCM) contract in relation to the Chatree North Processing Plant. The Ausenco EPCM contract has a target price of A\$97 million. Other ancillary works will also be completed at Chatree, including an upgraded electrical substation, second tailings storage facility (TSF) and other major earthworks. The total capital cost for the expansion project (inclusive of ancillary works) is estimated at US\$125 million of which approximately US\$45 million has already been spent as at 31 October 2010.

Funding for the Chatree North Processing Plant and the other expansion works is expected to come from a combination of an external debt facility, existing cash reserves and cash flow from existing operations. Investec Bank (Australia) Limited has been mandated to arrange a debt facility of up to US\$100 million and the current intention is for several Thai Banks to be included in the syndicate. The facility is planned to be in place during the March quarter 2011. Kingsgate currently has in place a A\$60 million revolving credit facility with Investec which is being used to meet

Kingsgate's funding requirements prior to the larger facility being concluded.

Chatree continues to be one of the world's safest gold mines, based on publicly available data, with over 14.6 million hours worked (7 years) since the last (and only) LTI. There have been no reportable environmental incidents during the life of the mine and it remains in compliance in all material respects with all applicable environmental regulations under the approved EIA.

(ii) Exploration

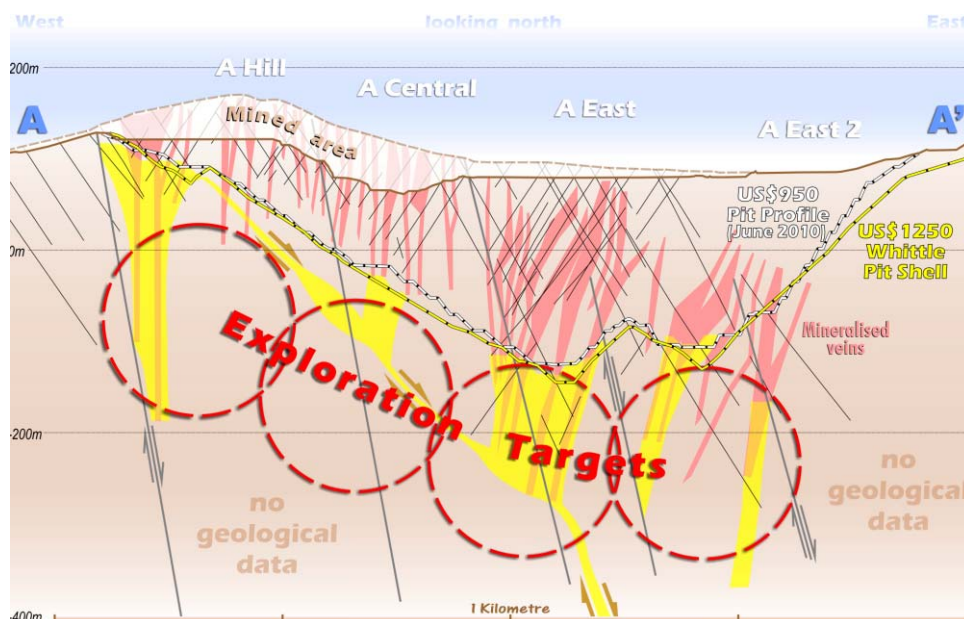
Kingsgate has significant exploration opportunities in Thailand, both at and near Chatree and within the broader region. The areas currently subject to focus comprise 52 SPLs and 76 SPLAs covering approximately 1,837 square kilometres in the Phitsanulok, Phichit, Phetchabun, Lop Buri, Rayong and Chantaburi provinces of Thailand.

Kingsgate's exploration activities are focused on the following key areas:

- within the Chatree Mining Leases and Chatree North Mining Leases, where the strategy is to expand the known open pit resource and reserve base and to follow up identified areas of underground potential;
- in the immediate vicinity of the Chatree Mining Leases and Chatree North Mining Leases where the opportunity exists to transport the ore from any discoveries to the Chatree processing facilities for treatment; and
- on the regional exploration tenements where discoveries are likely to be developed as stand alone operations.

There is a significant ongoing drilling program at Chatree. This is aimed at converting resources to reserves through infill drilling on the already identified ore bodies, and extending the currently identified ore bodies both at depth and outside of known mineralised boundaries. Activity for the year ended 30 June 2010 involved 57,016 metres of reverse circulation drilling and 10,805 metres of diamond drilling at a cost of US\$3.4 million. The planned expenditure for the year ended 30 June 2011 is approximately US\$6 million.

In particular, significant potential at Chatree exists through accessing the deeper, higher grade ore zones which have been identified through exploration drilling. These areas have the potential to be the feeder zones for the ore bodies currently being mined and could be accessed either through a deepening of the current planned open pits or via underground mining (which would require additional approvals and, in particular, changes to the mine plan).



In the immediate vicinity of the mining leases a number of prospects have already been identified through previous exploration work which will be subject to ongoing exploration activity. For example, the Suwan prospect is located approximately seven kilometres north west of the Chatree North Mining Leases. This covers an area similar in size to Chatree, with similar geology and geophysical response. The area has virtually no outcrop and is covered by 2 to 25 metres of alluvium. Drill results have identified a large low grade gold mineralized system. High grade gold veins have been intersected within wide lower grade gold mineralised zones within four main sites currently selected for reverse circulation drilling.

Exploration activities continue in the region around Chatree. Estimated exploration expenditure for this area for the year ended 30 June 2011 is between US\$3 million to US\$5 million. The specific locations of activity are dependent on a variety of factors including land access, results from previous exploration and the granting of the SPLAs.

(c) Historical production and cash cost profile

In the financial year ending 30 June 2010, Chatree produced 132,628 ounces of gold and 549,522 ounces of silver. This was the first full year of production from the Chatree North Mining Leases and proved to be one of Chatree's most successful years, with records set on ore extracted and processed. Mining rates reached their highest ever level at 6.6 million tonnes of ore mined with a 2.4:1 strip ratio of waste to ore. Total cash costs for the financial year were US\$335 per ounce of gold (US\$257 per ounce before Thai royalties). Royalties paid to the Thai government averaged US\$78 per ounce. Total production costs after tax, depreciation and amortisation were US\$408 per ounce of gold.

The table below outlines the recent production history for Chatree.

	Year ended 30 June		
	2008	2009	2010
Waste mined ('000 bank cubic metres)	2,507	4,069	6,432
Ore mined ('000 bank cubic metres)	375	1,674	2,699

	Year ended 30 June		
	2008	2009	2010
Strip ratio of waste to ore	6.7	2.4	2.4
Ore mined (thousand tonnes)	977	3,874	6,583
Ore treated (thousand tonnes)	2,474	1,878	2,705
Head grade of ore treated:			
Gold (grams per tonne)	1.1	1.7	1.7
Silver (grams per tonne)	6.8	15.8	14.9
Gold recovery (%)	88.4	91.2	90.4
Gold produced (ounces)	74,137	93,002	132,628
Silver produced (ounces)	232,039	293,472	549,522

	Year ended 30 June		
	2008	2009	2010
Cash operating costs per ounce in US\$⁴			
Mining/treatment expense	459	379	317
Refining and transport	2	2	2
By-product credit	(44)	(37)	(62)
Cash operating cost	417	344	257
Royalty*	40	57	78
Total cash cost	457	401	335
Depreciation/amortisation	99	87	73
Total production cost	556	488	408

*NOTE: Royalties are calculated on a progressive scale, increasing as the international spot gold price rises, linked to the prices in Thai Baht per gram of gold as indicated in the following table.

Announced price/gram (Baht)	Percentage of mineral royalty
0-400	2.5
>400-600	5.0
>600-1,000	10.0
>1,000-1,500	15.0
more than 1,500	20.0

Gold production for the 2011 financial year is expected to be within the range of 120,000 to 130,000 ounces. A higher proportion of this production will occur in the second half of the financial year when higher grade areas of the open pits are accessed.

Kingsgate has publicly disclosed production guidance and resources and reserves data in respect of its operations in the following recent ASX releases:

- Production Forecast Update (27 September 2010);
- 2010 Annual Report (26 October 2010);

⁴ Kingsgate reports unit costs in accordance with the Gold Institute Standard for Reporting Production Costs. Silver is accounted for as a by-product whereby revenues from silver are deducted from operating costs in the calculation of cash operating costs per ounce, while all royalties payable are included in the calculation of cash operating costs per ounce. The cash operating costs of future production at the Chatree will fluctuate due to changing ore grade, throughput, strip ratio and recovery rate.

- Quarterly Report for the three months ended 30 September 2010 (29 October 2010); and
- 2010 Annual General Meeting Presentation (18 November 2010).

Copies of these releases are available from Kingsgate's website at www.kingsgate.com.au and ASX's website at www.asx.com.au.

Further announcements and presentations concerning Kingsgate's updated production guidance and reserves and resources data will continue to be made after the date of this Bidder's Statement, and can be accessed from Kingsgate's website and ASX's website.

(d) Mineral resources and ore reserves

As at 30 June 2010, Chatree contained gold resources of 4.32 million ounces and gold reserves of 1.93 million ounces. Chatree also contains silver resources of 36.97 million ounces and silver reserves of 18.63 million ounces.⁵ Based on the current mine plan and incorporating the planned commissioning of the Chatree North Processing Plant, the current gold reserve is sufficient for a mine life of 12 years. If additional gold resource is converted into reserve, the mine life would be expected to increase.

The following tables present Kingsgate's most recent statement of Mineral Resources and Ore Reserves as at 30 June 2010.

(i) Mineral resources⁶

The total estimated mineral resource at Chatree as at 30 June 2010 at a 0.3 grams per tonne gold cut-off grade is set out in the following table.

	Category	Tonnage	Grade		Contained ounces	
			Gold	Silver	Gold	Silver
		(million tonnes)	(grams per tonne)	(grams per tonne)	(million ounces)	
Chatree Mine Leases ⁷	Measured	23.6	0.79	4.4	0.60	3.36
	Indicated	15.2	0.82	4.2	0.40	2.07
	Inferred	11.5	0.80	4.5	0.30	1.67
	Total	50.3	0.80	4.4	1.30	7.10
Chatree North Mine Leases ⁸	Measured	56.2	0.81	8.6	1.47	15.49

⁵ See Section 2.4(d) of this Bidder's Statement for the Kingsgate Competent Persons Statement.

⁶ See Section 2.4(d) of this Bidder's Statement for the Kingsgate Competent Persons Statement.

⁷ Includes C North Pit, C Pit, H Pit, S Pit, D Pit and J Pit cut to the end of June 2010 Chatree mine surface.

⁸ Includes A Pit, A East Pit, Q Pit, K West Pit, and K East Pit at Chatree North mine, cut to the end of June 2010 Chatree mine surface.

	Indicated	41.6	0.74	6.7	0.99	9.00
	Inferred	19.8	0.66	5.0	0.42	3.19
	Total	117.6	0.76	7.3	2.88	27.68
Stockpiles	Total	5.6	0.79	12.1	0.14	2.19
Chatree Total	Measured	79.8	0.81	7.4	2.07	18.85
	Indicated	56.7	0.76	6.1	1.39	11.07
	Inferred	31.4	0.71	4.8	0.72	4.86
	Total	173.5	0.77	6.6	4.32	36.97

(ii) Ore reserves⁹

The total estimated mineral reserve at Chatree as at 30 June 2010 at a 0.4 grams per tonne gold cut-off grade is set out in the following table.^{10 11 12}

	Category	Tonnage	Grade		Contained ounces	
			Gold	Silver	Gold	Silver
		(million tonnes)	(grams per tonne)	(grams per tonne)	(million ounces)	
Chatree Mining Leases ^{13 14 15}	Proved	5.4	1.06	5.0	0.18	0.86
	Probable	2.7	1.27	4.9	0.11	0.44
	Total	8.1	1.13	5.0	0.29	1.30
Chatree North Mining Leases ^{16 17 18}	Proved	32.0	0.99	10.3	1.02	10.56

⁹ See Section 2.4(d) of this Bidder's Statement for the Kingsgate Competent Persons Statement.

¹⁰ Reserves are based on a three year average gold price of US\$950 per ounce and a silver price of US\$15.00 per ounce.

¹¹ All reserves are based on detailed pit designs.

¹² All proportions >0% have been used hence no ore discounting has been applied.

¹³ C North and D Pits assume the approval to mine through highway 1301 will be granted.

¹⁴ H West and J Pits assume the mining lease approval to the west of Chatree will be granted.

¹⁵ S Pit assumes the mining lease is extended beyond the current northern limit.

¹⁶ Q South Pit assumes the approval to mine through highway 1191 will be granted.

¹⁷ Q South Pit assumes the approval to extend the mining lease to the west of the current mining lease will be granted.

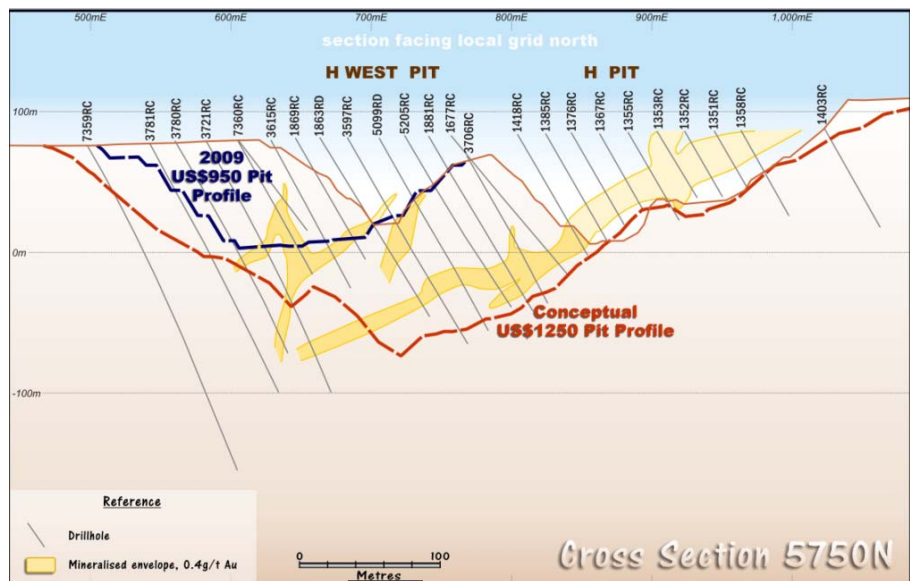
¹⁸ Q South, Q Central and Q North Pits assume the approval to mine through highway 1344 will be granted.

	Probable	16.0	0.93	8.9	0.48	4.59
	Total	48.0	0.97	9.8	1.49	15.15
Stockpiles	Total	5.6	0.79	12.1	0.14	2.19
Total from pits	Proved	37.4	1.00	9.5	1.20	11.42
	Probable	18.7	0.98	8.4	0.59	5.02
Chatree total	Total	61.7	0.97	9.4	1.93	18.63

Competent Persons Statement Information in this report relates to Exploration Results, Mineral Resource and Ore Reserve estimates based on information compiled by the following Competent Persons: Ron James, Fiona Davidson, Guy Davies and Suphanit Suphananthi who are employees of the Kingsgate Group and members of The Australasian Institute of Mining and Metallurgy and Rob Spiers who is an employee of Hellman & Schofield Pty Ltd and Member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 edition) and possess relevant experience in relation to the mineralisation being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the Public Reporting of these statements and the inclusion of the material in the form and context in which it appears.

Gold reserves as at 30 June 2010 have been calculated using a gold price of US\$950 per ounce. The spot gold price is currently significantly higher than this level and if maintained, a higher gold price will likely be used in the future for reserve calculations. This will allow a lower cut-off grade to be used and a higher proportion of contained gold in the resource base to be mined through expansion and deepening of the open pits.

Additionally, with a gold price at current spot levels the potential exists for previously mined open pits to be reassessed for future mining. Early mining at the Chatree Mining Leases was undertaken when gold prices were generally in the range of US\$350 to US\$600 per ounce, substantially lower than the current prevailing gold price, leaving a significant quantity of ore which may become economic to mine at current spot prices.



2.5. Directors and senior management

(a) Kingsgate Board



Ross Smyth-Kirk


Non-Executive Chairman

B Com, CPA, F Fin



Mr Smyth-Kirk was appointed to the Kingsgate Board on 29 November 1994 and is also a member of the Audit Committee and Chairman of the Remuneration and Nomination Committees.

Mr Smyth-Kirk was a founding director of the former leading investment management company, Clayton Robard Management Limited and has had extensive experience in investment management including a close involvement with the minerals and mining sectors. He has been a director on several company boards over the past 28 years in Australia and the United Kingdom. Mr Smyth-Kirk was previously Chairman of the Australian Jockey Club Limited.

	<p>Gavin Thomas</p> <p>Managing Director and Chief Executive Officer</p> <p>B Sc (Geology), FAusIMM</p> <p>Mr Thomas was appointed to the Kingsgate Board on 16 November 2007. He is currently a director of Mercator Minerals Limited.</p> <p>Mr Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He has over 37 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North and South America, Australia, the Southwest Pacific, Asia and Europe. Amongst Mr Thomas's credits is the discovery of "Lihir" in Papua New Guinea, one of the largest gold deposits in the world. He has extensive mining experience in Thailand and South America.</p>
	<p>Craig Carracher</p> <p>Non-Executive Director</p> <p>LLB (Sydney), BCL (Oxford)</p> <p>Mr Carracher was appointed to the Kingsgate Board on 16 November 2007. Mr Carracher is currently a member of the Nomination and Remuneration Committee and the Chairman of the Audit Committee. He is also a non-executive director of the ASX listed Sunland Group Limited.</p> <p>Mr Carracher brings considerable relevant Thai experience having been managing partner of an international law firm based in Thailand for many years. Mr Carracher has held numerous directorships of listed and private groups throughout Asia and was previously Group General Counsel at Consolidated Press Holdings Limited, Special Advisor to the Chairman of the Australian Securities and Investment Commission and Associate to the former</p>

	<p>Chief Justice of the Supreme Court of New South Wales. He is Managing Director of Telopea Capital Partners, an Asia focussed private equity and advisory group with offices in Sydney, Beijing and Hong Kong.</p>
	<p>Peter McAleer</p> <p>Non-Executive Director</p> <p>B Com (Hons), B L (Kings Inns - Dublin Ireland)</p> <p>Mr McAleer has been involved in the discovery and/or successful development of more than 10 base metal and precious metal deposits in Europe, Australia, South America and North America. Previously, Mr McAleer was a director and Chief Executive Officer of Equatorial Mining Limited (now Equatorial Mining Pty Ltd), a director of Mineral El Tesoro (Chile) and of Kalahari Diamonds Resources PLC (England), an executive director of Whim Creek Consolidated NL, Austwhim Resources NL and of The Northgate Group of Companies (Canada).</p> <p>Mr McAleer is a Member of the Remuneration and Nomination Committees. He is the current Chairman of Latin Gold Limited and a director of Kenmare Resources PLC (Ireland).</p>

(b) Kingsgate Senior management

	<p>Peter Warren</p> <p>Chief Financial Officer and Company Secretary</p> <p>B Com, CPA</p> <p>Mr Warren joined Kingsgate in March 2006 as Chief Financial Officer and is a Certified Practising Accountant (CPA) of 30 years standing, with an extensive involvement in the resources industry. Prior to joining Kingsgate, he was Company Secretary and Chief Financial Officer of Equatorial Mining Limited (now Equatorial Mining Pty Ltd) and of the Australian subsidiaries of the Swiss based Alusuisse Group and has held various financial and accounting positions for Peabody Resources Limited (now CNA Resources Limited) and Hamersley Iron Pty Ltd.</p>
	<p>Duane Woodbury</p> <p>General Manager Strategic Development</p> <p>B Ec (Hons)</p> <p>Mr Woodbury has been assisting Kingsgate in its business development initiatives since August 2007. He brings to Kingsgate over 18 years of experience in financial markets and corporate finance transactions. Prior to joining Kingsgate, he worked for Macquarie Group in a number of roles including equity capital markets, mergers and acquisitions and institutional stockbroking. Whilst with Macquarie he worked in a number of locations around the world including London, the United States of America and Singapore.</p>



Joel Forwood

Manager Corporate and Markets

B Sc (Hons), F Fin

Mr Forwood joined Kingsgate in November 2010 and has over 25 years in the resource and investment industries covering investor relations, funds management and exploration.

For nearly 10 years he has been leading investor relations at a number of listed companies, most recently for Ballarat Goldfields and then Lihir Gold Limited. Prior to this he managed a resources portfolio at Queensland Investment Corporation (QIC) for 10 years. Before QIC he worked in corporate development for Renison Goldfields following seven years in mineral exploration with BHP.





Pakorn Sukhum

Chief Executive Officer - Akara Mining Limited

B Sc (Hons) University of London UK, MBA Sasin Graduate Institute of Business Administration Thailand

Mr Sukhum joined the management team of Akara Mining Limited as Chief Executive Officer at the end of 2009. He brings to Akara over 20 years of industrial commercial managerial experience in various industries such as metallurgy, chemicals and ceramics in international and domestic markets of Thailand, having held senior management positions in both Thai and multinational joint venture companies such as Basell Poyolefins, Bayer AG as well as Padeang Industry of Thailand. His major contributions and responsibilities have ranged from project management, commercial marketing and sales to business development.

	<p>Philip MacIntyre</p> <p>Chief Operating Officer and General Manager, Akara Mining Limited</p> <p>B Sc (Hons), FAusIMM, MCIM, SME</p> <p>Mr MacIntyre joined Kingsgate as the General Manager of Chatree Gold Mine in July 2001. He has a metallurgical and management background with over 35 years of mine operations experience in Canada, Papua New Guinea, Australia and Thailand. Previously, he was Mine General Manager at the Kidston Gold Mine in Queensland Australia and, before that, Mill Superintendent at the Porgera Joint Venture in Papua New Guinea, at the Royal Oak Giant Mine, at Westmin Resources' Myra Falls Mine and at the Premier Gold Project and other projects in Canada.</p>
	<p>Ronald James</p> <p>General Manager Exploration and Resource Development</p> <p>B Sc (Geology), MAusIMM, MAIG</p> <p>Mr James has 24 years of experience in exploration and mining at management level inclusive of setting up gold mines and exploration projects from their earliest stages through to development and sustainability. Before joining Kingsgate, he was Chief Mine Geologist at the Gold Ridge mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. Mr James is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments and has a strong focus on maximising returns from ore bodies through optimum waste and ore classification as well as increasing reserves from near-mine resource development.</p>

2.6. Corporate governance

The Kingsgate Board is responsible for the overall corporate governance of Kingsgate, including adopting appropriate policies and practices and seeking to

ensure that Kingsgate Directors, management and employees fulfil their functions effectively and responsibly.

The Kingsgate Board places considerable importance on high standards of ethical behaviour, governance and accountability. The Kingsgate Board is committed to ensuring its corporate governance policies adhere, as much as is practicable, to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Kingsgate Board has recognised the need for the continual development of Kingsgate's corporate governance policies and practices, particularly in view of the Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines) released in August 2007.

The main corporate governance policies and practices adopted by Kingsgate which are already in effect (and which will continue in effect from implementation of the Dominion Schemes) are summarised below. Full details of the main corporate governance policies and practices adopted by Kingsgate during the year ended 30 June 2010 are set out in the Corporate Governance Statement in Kingsgate's 2010 Annual Report.

(a) Roles and responsibilities of the Kingsgate Board

The Kingsgate Board is accountable to Kingsgate Shareholders for the proper and prudent investment and preservation of Kingsgate Shareholder funds.

The Kingsgate Board is responsible for:

- overseeing Kingsgate, including its control and accountability systems;
- providing leadership of Kingsgate within a framework of prudent and effective controls which enable risks to be assessed and managed;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- setting Kingsgate's direction, strategies and financial objectives;
- ensuring compliance with regulatory and ethical standards;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- appointing, terminating and reviewing the performance of the Managing Director;
- ratifying the appointment and the termination of senior executives;
- monitoring senior executives' performance and implementation of strategy; and
- ensuring appropriate resources are available to senior executives.

Responsibility for the day-to-day management of Kingsgate is delegated to the Managing Director and the senior executives.

In carrying out its duties the Kingsgate Board meets formally at least nine times per year. Additional meetings are held to address specific issues or are held as the need arises. Kingsgate Directors also participate in meetings of various Kingsgate Board committees.

(b) Composition of the Kingsgate Board

The Kingsgate Board may, in accordance with the Kingsgate Constitution, be comprised of a minimum of three and a maximum of 10 Kingsgate Directors.

The roles of the Non-Executive Chairman and the Managing Director/Chief Executive Officer are exercised by different individuals.

The Managing Director of Kingsgate is not subject to retirement by rotation and along with any Kingsgate Director appointed as an additional or casual Kingsgate Director, is not to be taken into account in determining the number of Kingsgate Directors required to retire by rotation.

(c) Director independence

The Kingsgate Board considers that independence from management and nonalignment with other interests or relationships with Kingsgate is essential for impartial decision making and effective governance.

Kingsgate Directors are deemed to be independent if they are independent of management and have no material business or other relationship with Kingsgate that could materially impede their objectivity or the exercise of independent judgement or materially influence their ability to act in the best interests of Kingsgate.

It is Kingsgate policy that a majority of the Kingsgate Board will be non-executive, independent directors.

All of the Kingsgate non-executive directors, including the non-executive chairman, are considered by the Kingsgate Board to be independent.

(d) Performance review of the Kingsgate Board and senior executives

Each year the Kingsgate Board receives reports from management detailing interactions with and outlining the expressed views of Kingsgate Shareholders. The Nomination Committee is responsible for evaluation of the Kingsgate Board, its committees and its key executives.

The Managing Director of Kingsgate undertakes an annual review of the performance of each senior executive against individual tasks and objectives.

(e) Independent professional advice

Kingsgate Directors are able to access members of the management team at any time to request relevant information.

It is also Kingsgate Board policy that Kingsgate Directors may seek independent professional advice at Kingsgate's expense.

(f) Kingsgate Board committees

To assist the Kingsgate Board in fulfilling its responsibilities, the following committees have been established to consider certain issues and to exercise certain functions:

-
- Audit Committee;
 - Remuneration Committee; and
 - Nomination Committee.

Each committee operates under its own charter which is published on Kingsgate's website at www.kingsgate.com.au.

(g) Ethical standards and code of conduct

The Kingsgate Board and Kingsgate's employees are expected to maintain the highest level of corporate ethics and personal behaviour.

Kingsgate has established a code of conduct which provides an ethical and legal framework for all employees in the conduct of its business. The code of conduct defines how Kingsgate relates to its employees, shareholders and the community in which Kingsgate operates.

The core values of the code of conduct are:

- honesty and integrity;
- fairness and respect; and
- trust and openness.

The code of conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The code of conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues.

The Code of Conduct is published on Kingsgate's website at www.kingsgate.com.au.

(h) Share trading policy

In the interests of Kingsgate Shareholder confidence and to comply with insider trading laws, Kingsgate has formal policies governing the trading of Kingsgate's securities by Kingsgate Directors, officers and employees.

The policy prohibits Kingsgate Directors and employees from engaging in short-term trading of any of Kingsgate's securities and buying or selling Kingsgate's securities if they possess unpublished, price-sensitive information.

Kingsgate Directors and senior management may buy or sell Kingsgate securities in the four week period following significant announcements by Kingsgate, including the release of the quarterly report, half yearly results, the preliminary annual results and the lodgement of Kingsgate's Annual Report (subject to the prohibition of dealing in Kingsgate's securities if they possess unpublished price sensitive information).

Kingsgate Directors and senior management must also receive approval from the Chairman of Kingsgate before buying or selling Kingsgate securities.

(i) Communication with Kingsgate Shareholders and continuous disclosure

Kingsgate is committed to providing relevant and timely information to Kingsgate Shareholders in accordance with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Information is communicated to Kingsgate Shareholders through the distribution of Kingsgate's Annual Report and other communications. All releases are posted on Kingsgate's website and released to the ASX in a timely manner.

Kingsgate has practices in place throughout the year governing who may authorise and make disclosures and the method by which the market is to be informed of any price sensitive information.

Kingsgate's Company Secretary is responsible for communications with the ASX and ensuring that Kingsgate meets its continuous disclosure obligations.

(j) Annual general meeting

All Kingsgate Shareholders are encouraged to attend and participate in Kingsgate's annual general meeting. Kingsgate Shareholders may attend in person or send a proxy as their representative.

Kingsgate's external auditor is routinely invited to and attends the annual general meeting in order to respond to questions raised by Kingsgate Shareholders relating to the content and conduct of the audit and accounting policies adopted by Kingsgate in relation to the preparation of the financial statements.

2.7. Kingsgate financial overview

(a) Basis of presentation of historical financial information

The historical financial information below is a summary of recent financial information relating to Kingsgate from its 30 June 2010 and 30 June 2009 annual financial reports. The information below relates to Kingsgate on a standalone basis and accordingly does not reflect any impact of the Dominion Schemes.

This information is presented in an abbreviated form and does not contain all of the disclosure that is provided in an annual report in accordance with the Corporations Act.

The Kingsgate 2010 annual financial report was released on ASX on 30 August 2010 and the 2009 annual financial report was released on ASX on 27 August 2009. Copies of these reports, which include notes to the accounts, are available on Kingsgate's website (www.kingsgate.com.au) or from the ASX's website (www.asx.com.au).

(b) Statement of financial position

Set out below are Kingsgate's consolidated statements of financial position as at 30 June 2010 and 30 June 2009.

	Year ended 30 June	
	2010 \$'000	2009 \$'000

ASSETS			
Current assets			
Cash and cash equivalents		49,098	29,680
Receivables		13,844	9,155
Inventories		11,744	10,521
Other assets		28,615	8,172
Total current assets		103,301	57,528
Non-current assets			
Inventories		37,552	9,393
Exploration, mine property, plant and equipment		221,516	199,700
Deferred tax assets		3,732	4,462
Available-for-sale financial assets		1,071	-
Other assets		1,903	3,890
Total non-current assets		265,774	217,445
TOTAL ASSETS		369,075	274,973
LIABILITIES			
Current liabilities			
Payables		15,055	13,665
Provisions		1,003	1,448
Current tax liabilities		3,225	-
Borrowings		10,982	2,103
Total current liabilities		30,265	17,216
Non-current liabilities			
Provisions		11,157	7,162
Payables		5,909	-
Borrowings		82	41
Deferred tax liabilities		5,619	5,514
Total non-current liabilities		22,767	12,717
TOTAL LIABILITIES		53,032	29,933
NET ASSETS		316,043	245,040
EQUITY			

Parent entity interest			
Contributed equity		156,068	129,300
Reserves		4,008	4,579
Retained profits		155,967	111,161
TOTAL EQUITY		316,043	245,040

Income statement

Set out below are Kingsgate's consolidated income statements for the years ended 30 June 2010 and 30 June 2009.

	Year ended 30 June	
	2010 \$'000	2009 \$'000
Revenue from continuing operations	176,098	114,092
Other income	-	2,432
Changes in inventories of finished goods and work in progress	27,851	20,306
Direct costs of mining and processing	(82,212)	(69,739)
Employee benefits expense	(11,820)	(11,647)
Depreciation and amortisation expenses	(14,004)	(11,575)
Finance costs	(1,823)	(1,698)
Exploration expensed	(385)	(294)
Foreign exchange losses	(2,507)	-
Other expenses from ordinary activities	(8,847)	(8,820)
Profit / (loss) before income tax	82,351	33,057
Income tax benefit / (expense)	(9,285)	(535)
Profit / (loss) after income tax	73,066	32,522
<i>Other comprehensive income</i>		
Exchange differences on translation of foreign operations	1,634	15,911
Total other comprehensive income for the year, net of tax	1,634	15,911
Total comprehensive income for the year	74,700	48,433

	Cents	Cents
Basic earnings per share	75.2	34.9
Diluted earnings per share	74.5	34.9

Statement of cashflows

Set out below are Kingsgate's consolidated cashflow statements for the years ended 30 June 2010 and 30 June 2009.

	Year ended 30 June	
	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Receipts from customers	172,083	113,015
Payments to suppliers and employees	(119,392)	(87,602)
Interest received	321	998
Finance costs paid	(1,319)	(1,286)
Income tax paid	(5,225)	(7,067)
Net cash inflow / (outflow) from operating activities	46,468	18,058
Cash flows from investing activities		
Payments for exploration and evaluation	(2,355)	(5,983)
Payments for mine properties, plant, equipment and land	(28,840)	(42,198)
Payments for available-for-sale financial assets	(1,071)	-
Net cash inflow / (outflow) from investing activities	(32,266)	(48,181)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	-	17,000
Repayment of borrowings	-	(17,000)
Proceeds from borrowings - preference shares	8,643	-
Proceeds from the issue of shares	20,423	15,774
Dividends paid	(24,585)	-
Net cash inflow / (outflow) from financing activities	4,481	15,774
Net increase / (decrease) in cash held	18,683	(14,349)
Cash at the beginning of the financial year	29,680	40,226
Effects of exchange rate changes on cash and cash equivalents	735	545
Reclassification of other deposits	-	3,258
Cash at the end of the reporting period	49,098	29,680

2.8. Material changes in Kingsgate's financial position since 30 June 2010 and other developments

(a) Material changes

Within the knowledge of the Directors of Kingsgate, the financial position of Kingsgate has not materially changed since 30 June 2010, being the date of the last audited financial statements published by Kingsgate other than expenditure of cash reserves and drawdown of loan facilities which have been utilised for the payment of the final dividend and capital expenditure to fund the Chatree North Processing Plant in the amount of \$41 million as at 31 October 2010.

(b) Dividends

As described in Section 3.6, on 24 September 2010, Kingsgate paid a final unfranked dividend of \$16.9 million (20 cents per Kingsgate Share). In addition to cash payments of the dividend, 286,605 new Kingsgate Shares were issued under the Kingsgate dividend reinvestment plan at an issue price of \$10.58 per share.

(c) 31 December 2010 Quarterly Report

Kingsgate will release its 31 December 2010 quarterly report to the ASX on or before 31 January 2011. Following its release, a copy of the 31 December 2010 quarterly report will be available on Kingsgate's website (www.kingsgate.com.au) or from the ASX's website (www.asx.com.au).

2.9. ASX lodgements and disclosures

The following table outlines all announcements made by Kingsgate on ASX since 1 July 2010:

Date	Announcement
29/11/2010	Notice of Change of Interests of Substantial Holder for LRC
25/11/2010	Kingsgate Consolidated Limited Constitution
18/11/2010	High grade gold intersections continue at Chatree Gold Mine
18/11/2010	Chairman's Address to Shareholders at Kingsgate AGM
18/11/2010	Managing Director / CEO Address 2010 AGM
18/11/2010	CEO's Presentation 2010 AGM
18/11/2010	Results of 2010 AGM
29/10/2010	Quarterly Activities Report
26/10/2010	Notice of Initial Substantial Holder for LRC
26/10/2010	Kingsgate Consolidated Limited Annual Report 2010

26/10/2010	DOM: Letter to Shareholders
25/10/2010	LRC: Takeover Offer by Kingsgate Consolidated Limited
25/10/2010	Recommended Takeover Offer by Kingsgate for Laguna
20/10/2010	Trading Halt
20/10/2010	Kingsgate and Dominion Investor Presentation
20/10/2010	Investor Presentation
20/10/2010	Kingsgate and Dominion Announce Agreed Transaction
20/10/2010	DOM: Kingsgate and Dominion announce agreed transaction
19/10/2010	Notice of Meeting / Explanatory Memorandum / Proxy Form
15/10/2010	Kingsgate Seeks Development Opportunities
8/10/2010	Results enhance potential for underground mining at Chatree
7/10/2010	Change of Director`s Interest Notice - Appendix 3Y
28/09/2010	Appendix 3B - Exercise of Employee Options
28/09/2010	Appendix 3B
27/09/2010	Production Forecast Update
27/09/2010	Managing Director and CEO Proposed Share Sales
22/09/2010	2010 Post Financials Presentation – Correction
21/09/2010	Investor Presentation Update
21/09/2010	Change in substantial holding
20/09/2010	Change in substantial holding
17/09/2010	Change in substantial holding
16/09/2010	Change in substantial holding
13/09/2010	Dividend Details
6/09/2010	Letter to Shareholders
3/09/2010	Appendix 3B
30/08/2010	Dividend Details

30/08/2010	Presentation Slides - Full year Financials 2010
30/08/2010	Full Year Statutory Accounts - Full Copy
30/08/2010	Full Year Financial Report 2010
16/08/2010	Chatree North Plant Expansion Construction Contract
16/08/2010	AAX: Ausenco awarded Chatree North Gold Project Contract
13/08/2010	Appendix 3B Exercise of Employee Options
3/08/2010	Appendix 3B Exercise of Employee Options
30/07/2010	Appendix 3B Exercise of Employee Options
29/07/2010	Mineral Resources and Ore Reserves Statement
28/07/2010	BOI Incentives Finalised - Plant Expansion Underway
27/07/2010	Change in substantial holding
21/07/2010	Quarterly Report Presentation Slides June2010
21/07/2010	Quarterly Report June 2010
5/07/2010	Appendix 3B Exercise of Employee Options
1/07/2010	Appendix 3Y Change of Director`s Interest Notice
1/07/2010	Appendix 3B Exercise of Employee Options

2.10. Ownership of Akara and possible IPO on the Stock Exchange of Thailand

Akara is a Thai registered company and all of its ordinary shares are owned by Kingsgate. Akara holds all of Kingsgate's Thai mining assets, including Chatree. Thai nationals are required to own a majority of the share capital of Akara under both Thailand's Alien Business Law (majority defined as 50.1%) and the provisions of Akara's Board of Investment (BOI) approval (majority defined as 51%). In compliance with this requirement, Akara has a Thai shareholder called Sinphum Co. Ltd (**Sinphum**) which owns preference shares in Akara which comprise the majority of Akara's issued capital. These preference shares have limited voting rights and carry a fixed rate of return and (outside this fixed return) do not participate in the economic returns generated from Chatree.

Whilst the current shareholding structure complies with Thai foreign ownership requirements, Kingsgate has previously announced its intention to explore the possibility of undertaking an initial public offering (IPO) of Akara shares on the Stock Exchange of Thailand. Such an IPO would be structured as the sale of ordinary shares to Thai nationals and the preference share structure would be eliminated. This structure would still enable Akara to comply with Thailand's Alien Business Law and

Akara's BOI approval. The Kingsgate Board has deferred any decision about such an IPO given current issues with the preference shareholder and the current corporate initiatives involving Dominion and Laguna. The IPO is regularly reviewed by the Kingsgate Board and would only be undertaken if Kingsgate Directors view such an initiative to be in the best interests of Kingsgate Shareholders.

2.11. Litigation

(a) Preference shareholder litigation

As described in Section 2.10 of this Bidder's Statement, Akara has preference shares owned by a Thai national (Sinphum) which equate to approximately 52% of the total share capital of Akara. The rights of the preference shares are contained in the articles of association of Akara. Such rights include the preference shares having a fixed rate of return, certain preferences upon winding-up and limited voting rights in relation to Akara (effectively representing 23% of total votes). Based on current information, Sinphum is not registered as the holder of any Kingsgate Shares.

The preference shares were allotted in November 2006 in accordance with a Subscription and Shareholders Agreement (SSA) between Kingsgate, Akara and Empire Asia Co Ltd. Empire Asia Co Ltd novated the SSA to Sinphum in July 2007. The SSA was drafted to facilitate an IPO of Akara if the Kingsgate Board elected to proceed with such a course of action. In particular, the SSA included a call option which gave Kingsgate the ability to purchase the preference shares from Sinphum at par value plus a premium.

In July 2010, Kingsgate exercised its call option under the SSA to purchase the preference shares from Sinphum as part of a restructuring related to the possible IPO of Akara. Sinphum has not complied with this obligation and as at the date of this Bidder's Statement the preference shares have not been delivered. Kingsgate strongly believes that Sinphum has no basis not to comply with its obligations under the SSA and is taking the appropriate legal actions to force compliance. This dispute has no impact on the operations of Chatree.

Sinphum has filed a motion with the Thai courts to void the call option under the SSA whilst retaining its own rights under the SSA.

Sinphum has also filed further motions with the Thai courts with regard to Akara's articles of association. In particular, Sinphum claims that Akara's voting rights should be proportionate to the total shares on issue (both preference and ordinary shares). Sinphum also claims that the Thai Civil and Commercial Code which allows for Akara to hold general meetings without a quorum in the event of continued non attendance by Sinphum should not apply to Akara.

Kingsgate vigorously denies such claims and is opposing them in all relevant proceedings. Furthermore, Kingsgate has legal advice that these are baseless claims. Kingsgate remains very confident that all claims will be resolved in its favour. While the court cases have no impact on the operations at Chatree, any IPO of Akara is likely to be deferred at least until these issues have been fully resolved. As described in Section 2.10 of this Bidder's Statement, any IPO would only take place if the Kingsgate Board considered it to be in the best interests of Kingsgate Shareholders.

(b) Other litigation

A group of Thai villagers has made a claim against the Thai Government that the Thai Industry and Forestry Ministries have illegally permitted Akara to conduct mining operations and that the Government should withdraw Akara's licences and suspend operations. Kingsgate believes that Akara's mining operations were properly established in accordance with Thai mining law, that those operations continue to comply with all relevant permits and licences and that the villagers' claim is baseless and without merit.

2.12. Hedging

Kingsgate has no hedging commitments on any gold production from Chatree and has no current plans to change this strategy.

Being an unhedged producer means Kingsgate is fully exposed to gold price movements. Kingsgate's operating results and cashflow generation would benefit from any increases in gold price and would be adversely impacted by any decreases in gold price.

It is possible that Kingsgate may decide to use debt financing to fund its activities in the future, which may require Kingsgate to enter into hedging commitments. Should this occur, it is Kingsgate's intention that any hedging arrangements will be structured in such a manner as to protect Kingsgate from any adverse movement in the gold price, whilst allowing it to retain exposure to any upwards movement (for example, through the purchase of put options over the gold price).

2.13. Safety, environment and community

(a) Safety

Kingsgate has developed a strong safety culture since it commenced operations in November 2000, with no fatality incident and more than 14.6 million hours having been worked since the last (and only) LTI. The company believes it has one of the best safety records of any gold mine in the world. For the year ended 30 June 2010, the LTIFR was 0.06 compared with an industry average of approximately 4 for Australian open pit mines.

In recognition of the continuing safety performance, Kingsgate has received a number of awards in Thailand, including the Zero Accident Gold Award 2009 and the Thailand National Occupational Health and Safety Award. These were presented to Akara for the company's focus, not only on direct safety, but also the related areas of drug and alcohol testing.

(b) Environment

Kingsgate is subject to extensive environmental controls and regulations in Thailand, including the Environmental Act, section 120 of the Minerals Act and Ministerial Regulations No. 25 (B.E. 2517) (1974).

Mining operations are subject to potential environmental risk, typically relating to pollution of the environment as a result of waste treatment. One of the main environmental issues faced by gold mining operations is wastewater and tailings management, since these tailings can contain substances that are potentially harmful to human beings and the environment.

To protect the quality of surface and underground water in the vicinity of Chatree, Kingsgate employs international standard practices for the treatment, handling and storage of tailings residue. The quality of surface and underground water is monitored to ensure that the quality of water exiting the site is not significantly degraded. Further surface water and bore water monitoring stations were installed during 2008 to cover the new areas within and around the Chatree North Mining Leases.

Kingsgate uses a cyanide destruction process to ensure all tailings discharged from the process are fully contained in the current and planned TSF, where any remaining cyanide breaks down under the influence of sunlight, carbon dioxide and other factors.

Kingsgate is committed to best practice environmental management and has demonstrated this commitment by implementing an Environmental Management System based on ISO 14001. The program is based on regular internal and external environmental audits. These audits are key mechanisms that facilitate continual improvement of environmental management programs and systems.

Kingsgate maintained its accreditation for ISO 9001 for Quality Management, ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety Management for the year ended 30 June 2010. In addition to the environmental audit program described above, Kingsgate also submits to Thai authorities an annual environmental monitoring report in relation to the Chatree mine site. The 2010 environmental audit was completed in March 2010 and confirmed that Chatree is not in breach with its statutory licence requirements, voluntary environmental commitments and company policies.

(c) Community

Akara is actively involved in assisting the local communities around Chatree. The aim is to prepare and implement a strategy to further develop the quality of life of villagers around Chatree, by engaging directly with the stakeholders in the villages, the local village heads and the local Government as well as Chatree employees.

Community contributions are aimed mainly at education, health and water supply but the approach has been to follow the United Nations Millennium Project goals. In the year ended 30 June 2010, approximately \$0.85 million was contributed to local communities.

2.14. Kingsgate is a disclosing entity

As a disclosing entity for Corporations Act purposes, Kingsgate is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to Kingsgate may be obtained from, or inspected at, an ASIC office.

Each recipient of this Bidder's Statement has a right to obtain a copy of:

- the Kingsgate 2010 Annual Report (being the annual financial report most recently lodged with ASIC by Kingsgate); and
- all continuous disclosure notices used to notify the ASX of information relating to Kingsgate after the lodgment of that annual financial report and before the lodgment of this Bidder's Statement with ASIC. The documents

listed in Annexure A to this Bidder's Statement were lodged by Kingsgate with the ASX during this period.

Recipients of this Bidder's Statement who ask Kingsgate for a copy of any of those documents during the Offer Period will be given copies free of charge. The contact for this purpose is Peter Warren, Company Secretary, at Suite 801, Level 8, 14 Martin Place, Sydney NSW 2000. The contact telephone number is +61 2 8256 4800.

3. INFORMATION ABOUT KINGSGATE'S SECURITIES

3.1. Kingsgate's capital structure

As at the date of this Bidder's Statement, Kingsgate has on issue:

- 101,087,786 Kingsgate Shares listed on the ASX; and
- 1,685,166 unlisted Kingsgate Options.

Kingsgate Options are issued for nil consideration to executives of the Kingsgate Group under the Kingsgate Executive Option Plan. Each Kingsgate Option entitles the holder to subscribe for one Kingsgate Share. Kingsgate Options do not carry any dividend or voting rights.

Details of the Kingsgate Options on issue as at the date of this Bidder's Statement are set out in the table below.

Date of grant	Number of Kingsgate Options	Exercise price and expiry date
7 July 2006	50,000	\$6.00 expiring 1 July 2011
4 April 2008	119,115	\$4.68 expiring 1 April 2013
4 April 2008	1,016,001	\$6.00 expiring 1 April 2013
4 April 2008	500,000	\$7.00 expiring 1 April 2013

Laguna Shareholders should note that approximately 2,150,099 Kingsgate Shares could be issued by Kingsgate in connection with the proposed acquisition of Laguna under the Takeover Bid, assuming all Offers are accepted.

Should the Dominion Share Scheme be approved by Dominion Shareholders and the Court, Kingsgate will issue approximately 32,091,280 Kingsgate Shares to acquire all of the Dominion Shares.

Should the Dominion Option Scheme be approved by Dominion Optionholders and the Court, Kingsgate will issue approximately 325,136 Kingsgate Shares to acquire all of the Dominion Options.

As indicated in the table below, on the Implementation Date, if the Dominion Schemes are approved and implemented the overall interests of Dominion Shareholders and Dominion Optionholders in the Kingsgate Group will be approximately 23.66%.

	Kingsgate Shares after full implementation of the Takeover Bid and the Dominion Schemes	
	Number	Percentage
Existing Kingsgate Shares	101,087,786	74.52%
Kingsgate Shares to be issued to Laguna shareholders	2,150,099	1.58%
Kingsgate Shares to be issued to Scheme Shareholders	32,091,280	23.66%
Kingsgate Shares to be issued to Scheme Optionholders	325,136	0.24%
Total	135,654,301	100%

3.2. Top 20 Kingsgate Shareholders

As at 12 November 2010, the top 20 Kingsgate Shareholders held approximately 74% of Kingsgate Shares, as indicated in the table below.

Name	Number of Kingsgate Shares	Percentage of Kingsgate Shares on issue
HSBC Custody Nominees	21,502,898	21.27%
National Nominees Limited	15,784,601	15.61%
J P Morgan Nominees Australia Limited	6,426,769	6.36%
J P Morgan Nominees Australia Limited	6,002,990	5.94%
Citicorp Nominees Pty Limited	5,554,284	5.49%
Ross Donald Smyth-Kirk	4,586,271	4.54%
Bruce Clayton Bird	3,207,110	3.17%
Gavin Thomas	2,410,000	2.38%
CS Fourth Nominees Pty Limited	1,798,871	1.78%
AMP Life Limited	1,275,117	1.26%
Sixteen Pty Limited	1,075,000	1.06%
HSBC Custody Nominees Australia Limited	693,598	0.69%
Equity Trustees Limited	609,857	0.60%

Bahulu Holdings Pty Limited	602,187	0.60%
C Komor + D Grady	566,055	0.56%
Pan Aust Nominees Pty Limited	547,876	0.54%
Christopher Komor	531,407	0.53%
HSBC Custody Nominees Australia Limited	486,967	0.48%
Warbont Nominees Pty Limited	460,764	0.46%
Maminda Pty Limited	433,533	0.43%
Total	74,556,155	73.75%

3.3. Substantial shareholders of Kingsgate

As at 25 November 2010, the following persons had notified Kingsgate that they had a Relevant Interest in 5% or more of Kingsgate Shares.

Name	Number of Kingsgate Shares	Percentage of Kingsgate Shares on issue
BlackRock Investment Management (Australia) Limited (BlackRock)	8,653,406	8.83
UBS AG and related bodies corporate	6,061,213	6.02

3.4. Marketable securities held by Kingsgate Directors

No marketable securities of Kingsgate are held by or on behalf of Kingsgate Directors and no such persons are otherwise entitled to such securities as at the date of this Bidder's Statement other than as listed below.

Kingsgate Director	Number of Kingsgate Shares	Number of Kingsgate Options
Mr Ross Smyth-Kirk	4,586,271	400,000 (200,000 @ \$6.00 expiring 3 April 2013 and 200,000 @ \$7.00 expiring 3 April 2013)
Mr Gavin Thomas	2,410,000 held directly 602,187 held by Bahulu Holdings Pty Ltd as trustee of Thomas Family	nil

	Super Fund A/C 101,534 held by Bahulu Holdings Pty Ltd	
Mr Craig Carracher	100,000	100,000 @ \$7.00 expiring 3 April 2013
Mr Peter McAleer	100,000	200,000 (100,000 @ \$6.00 expiring 3 April 2013 and 100,000 @ \$7.00 expiring 3 April 2013)

As at the date of this Bidder's Statement, no Kingsgate Director has any material interest, either direct or indirect, in any material contracts entered into by Kingsgate within Kingsgate's three most recent completed financial years or during its current financial year.

3.5. Recent Kingsgate Share price performance

Kingsgate Shares are granted official quotation on the ASX.

The following chart shows the closing price of Kingsgate Shares on the ASX over the past 12 months to 25 November 2010.



During the 12 months ended 26 November 2010:

- the highest recorded daily sale price of Kingsgate Shares on the ASX was \$12.30 on 14 October 2010; and
- the lowest recorded daily sale price of Kingsgate Shares on the ASX was \$7.81 on 5 May 2010.

During the three months ended 26 November 2010:

- the highest recorded daily sale price of Kingsgate Shares on the ASX was \$12.30 on 14 October 2010; and

- the lowest recorded daily sale price of Kingsgate Shares on the ASX was \$9.33 on 25 August 2010.

The last recorded sale price of Kingsgate Shares on the ASX on 22 October 2010 immediately before the Announcement was \$10.43.

The last recorded sale price of Kingsgate Shares on the ASX on 29 November 2010 was \$10.04.

3.6. Kingsgate dividend history and policy

The Kingsgate Board is responsible for declaring interim and final dividends. The payment of a dividend does not require approval or confirmation by Kingsgate Shareholders.

Kingsgate's focus is on maximising total shareholder returns through a combination of capital growth and the payment of dividends. The capacity to pay dividends, and where possible to increase them, is balanced with the need for Kingsgate to fund its existing operations, exploration expenditure and possible future growth initiatives.

In considering the level of dividends, if any, the Kingsgate Board takes into account various factors, including:

- its level of cash, gearing, return on equity and retained earnings;
- its expected financial performance;
- its projected levels of capital expenditure and other investment plans; and
- restrictions on the payment of dividends that may be imposed on it by its financing arrangements.

The following table sets out the dividends which have been paid by Kingsgate since 2003.

Ex-dividend date	Record date	Date payable	Dividend type	Dividend amount	Percentage franked
6/09/2010	10/09/2010	24/09/2010	Final	\$0.20	0
3/03/2010	9/03/2010	16/03/2010	Interim	\$0.15	0
3/09/2009	9/09/2009	23/09/2009	Final	\$0.15	100
15/09/2006	21/09/2006	3/10/2006	Final	\$0.05	0
13/04/2006	21/04/2006	28/04/2006	Interim	\$0.05	0
5/09/2005	9/09/2005	27/09/2005	Final	\$0.05	0
3/03/2005	9/03/2005	17/03/2005	Interim	\$0.02	0
6/09/2004	10/09/2004	15/10/2004	Final	\$0.12	0
15/03/2004	19/03/2004	2/04/2004	Interim	\$0.10	0

28/08/2003	3/09/2003	1/10/2003	Final	\$0.125	0
28/03/2003	3/04/2003	17/04/2003	Interim	\$0.125	0

Kingsgate maintains a dividend reinvestment plan (DRP). Kingsgate Shares issued under the DRP rank equally with existing Kingsgate Shares and are issued at a 2% discount to the market price in the five trading days up to and including the record date of the dividend. Participation in the DRP is optional and Kingsgate Shareholders can elect to participate for some or all of their Kingsgate Shares.

3.7. Rights and liabilities attaching to Kingsgate Shares

Kingsgate Shares issued as consideration under the Offer will be issued fully paid and will rank equally with existing Kingsgate Shares from the date of issue.

The rights and liabilities attaching to Kingsgate Shares will be the same as those attaching to existing Kingsgate Shares and are set out in Kingsgate's Constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and general law. Under section 140(1) of the Corporations Act, the Kingsgate Constitution has effect as a contract between Kingsgate and each member of Kingsgate and between a member of Kingsgate and each other member. Accordingly, if Kingsgate Shares are issued to you pursuant to a Scheme, you will, as a result, become liable to comply with the Kingsgate Constitution.

A summary of the significant rights and liabilities attaching to Kingsgate Shares is set out below. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of Kingsgate Shareholders. Such rights and liabilities involve complex questions of law arising from the interaction of the Kingsgate Constitution, Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and general law. Kingsgate Shareholders should seek their own independent advice when trying to establish their rights and liabilities in specific circumstances.

Voting

Subject to the Kingsgate Constitution, at meetings of Kingsgate Shareholders:

- each Kingsgate Shareholder entitled to vote may vote in person, by proxy or attorney or, where the Kingsgate Shareholder is a body corporate, by proxy, attorney or representative;
- on a show of hands every person present who is a Kingsgate Shareholder or a proxy, attorney or representative of a Kingsgate Shareholder has one vote; and
- on a poll every person present who is a Kingsgate Shareholder or proxy, attorney or representative of a Kingsgate Shareholder has one vote for each Kingsgate Share that person holds or represents (as the case may be).

General meetings and notices	Each Kingsgate Shareholder is entitled to receive notice of, and, if they are entitled to vote at the meeting, attend and vote at, general meetings of Kingsgate.
Dividends	<p>Kingsgate Directors may declare interim and final dividends in accordance with the Corporations Act and ASX Listing Rules.</p> <p>The payment of any final or interim dividend does not require confirmation by a general meeting of Kingsgate.</p>
Issue of further Kingsgate Shares	<p>Subject to the Kingsgate Constitution, the ASX Listing Rules and the Corporations Act, Kingsgate Directors have the right to issue Kingsgate Shares to such persons at such times and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise or at a discount as the Kingsgate Directors think fit.</p> <p>Kingsgate Directors may also grant to any person options or other securities with rights of conversion to Kingsgate Shares or pre-emptive rights to any Kingsgate Shares for any consideration and for any period.</p>
Transfer of Kingsgate Shares	<p>Subject to the Kingsgate Constitution and the Corporations Act, Kingsgate Shares are freely transferable.</p> <p>Kingsgate Directors may decline to register a transfer of Kingsgate Shares in the circumstances permitted under the ASX Listing Rules or the ASX Settlement Operating Rules or where the transfer is not in registrable form.</p>
Small holdings	Kingsgate may give written notice to a Kingsgate Shareholder who holds less than a marketable parcel (as defined in the ASX Listing Rules) of Kingsgate Shares that it intends to sell the Kingsgate Shareholder's Kingsgate Shares. If the Kingsgate Shareholder does not give notice in writing to Kingsgate before the time specified in the notice, Kingsgate may sell the Kingsgate Shareholder's Kingsgate Shares and remit the proceeds of sale to the Kingsgate Shareholder in accordance with the Kingsgate Constitution.
Winding up	If Kingsgate is wound up, the liquidator may divide among the Kingsgate Shareholders in kind the whole or any part of the property of Kingsgate and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Kingsgate Shareholders or different classes of Kingsgate Shareholders according to their rights and

interests in Kingsgate.

The liquidator may, with the sanction of a special resolution of Kingsgate, vest the whole or any part of any such property in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Kingsgate Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

Alteration of capital

Kingsgate may reduce its capital or otherwise alter its capital including buy back its shares in any manner authorised or permitted by the Corporations Act and the ASX Listing Rules.

Variation of rights

If at any time the share capital of Kingsgate is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class), whether or not Kingsgate is being wound up, be varied or abrogated in any way with the consent in writing of the holders of 75% of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares in that class.

Proportional takeover approval

If a proportional takeover bid for Kingsgate Shares is made, Kingsgate Directors must ensure that a resolution to approve the bid is voted on prior to the 14th day before the last day of the bid period. Any person, excluding the bidder or any associate of the bidder, who held bid class securities as at the end of the day on which the first offer under the bid was made is entitled to vote on the resolution. The resolution will be passed if more than 50% of the votes are cast in favour of the resolution. If no such resolution is considered as at the end of the day prior to the 14th day before the last day of the bid period, a resolution approving the bid is taken to have been passed.

The proportional takeover provisions in the Kingsgate Constitution will expire on the day three years following the date of adoption, but may be renewed by a resolution of Kingsgate Shareholders.

Amendments to Kingsgate's Constitution

The Kingsgate Constitution can only be amended by special resolution passed by at least 75% of Kingsgate Shareholders present and voting at a general meeting of Kingsgate.

4. INFORMATION ON LAGUNA AND LAGUNA SHARES

4.1. Disclaimer

The information in this Section concerning Laguna has been prepared by Kingsgate using primarily publicly available information and limited information made

available to Kingsgate and has not been independently verified. Accordingly Kingsgate does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information, other than as required by the Corporations Act.

The information on Laguna should not be considered comprehensive. Further information relating to Laguna may be included in Laguna's Target Statement which has been or will be sent to you by Laguna.

4.2. Overview of Laguna

Laguna is an ASX-listed mineral exploration company that is focussed on the exploration and development of high quality gold and silver projects in the world-class Maricunga Gold Belt of Northern Chile.

Laguna's head office is located in Perth. It has a capable management team in Santiago and an experienced exploration group working from its operational base in Copiapo in the Atacama Region of Chile.

4.3. Directors

As at the date of this Bidder's Statement, there are 3 directors of Laguna:

- (a) Mr Matthew Wood (Chairman);
- (b) Dr Nicholas Lindsay (Managing Director); and
- (c) Mr Jonathan Murray (Non-executive Director).

4.4. Ownership of Laguna Group

As at 29 November 2010, being the latest practicable date prior to the lodgement of this Bidder's Statement with ASIC, the name of the substantial shareholders in Laguna, the number of Laguna Shares to which the substantial shareholder (and its associates) have a relevant interest, as disclosed in substantial notices given to Laguna (and filed at ASX) are:

Name of shareholder	Number of Laguna Shares	Percentage of total Laguna Shares
Kingsgate Consolidated Limited	245,198,097	19.83%*
Auralandia NL	152,000,000	13.59%
UBS AG and its related bodies corporate	127,563,920	11.41%
DV01 Funds Management Pty Ltd	75,000,000	6.71%
MM&E Capital Ltd	57,190,000	5.12%

* Refers to the percentage of shares held by Kingsgate following the exercise of all of the 118,479,516 Laguna Options as referred to in the ASX company announcement of 25 October 2010. The other percentages set out in this table may not be correct, due to the exercise by Kingsgate of these options.

4.5. Principal activities of Laguna

Laguna's key asset is the Arqueros gold and silver deposit is located in the Maricunga District of the Atacama Region, Northern Chile, 150 km north-east of Copiapo, an important regional mining centre. The Company is planning to undertake a feasibility study during 2011 with the objective of developing an open cut mine producing annually about 100,000 gold equivalent ounces of bullion (gold-silver doré), using conventional cyanide leaching. In September 2010, the Company published a JORC Mineral resource as outlined below.

JORC Mineral Resource published in September 2010 by Laguna Resources NL

Category	Million	Grades, g/t			Ounces, thousands		
	Tonnes	Gold	Silver	AuEQ60	Gold	Silver	AuEQ60
Cut-off grade 0.5 g/t Au EQ60							
Indicated	7.0	0.35	83	1.73	78	18,596	387
Inferred	24.6	0.32	47	1.11	253	37,506	870
Total	31.6	0.33	55	1.24	332	56,103	1,258
Cut-off grade 0.7 g/t Au EQ60							
Indicated	5.9	0.38	93	1.93	72	17,751	369
Inferred	16.9	0.38	57	1.33	208	31,075	725
Total	22.9	0.38	66	1.49	280	48,826	1,094
Cut-off grade 1.0 g/t Au EQ60							
Indicated	4.7	0.43	108	2.22	65	16,219	335
Inferred	8.8	0.50	78	1.80	142	22,058	509
Total	13.5	0.48	88	1.95	206	38,278	844

Gold equivalence based on price equivalence ratio of 60: $AuEQ60 = Au + Ag/60$

Dr Nicholas Lindsay is the author of this document. He is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Lindsay is the Managing Director of Laguna Resources NL and consents to the inclusion in this release of the matters based on his information and information presented to him in the form and context in which it appears

The Mineral Resource has been estimated by Mr P Ball (Director of DataGeo Geological Consultants) from information provided by Laguna Resources NL and its agents. Mr Ball is a member of the Australian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation under consideration to qualify as a competent person as defined in the 2004 edition of the "Australian Code of Reporting of exploration results, mineral resources and ore reserves". Mr Ball consents to the inclusion of the mineral resource estimate in the form and context in which it appears based on the information presented to him.

Gold equivalence ($AuEQ60$) is estimated as $AuEQ60 = Au + (Ag/EQ60)$, where Au = gold content, Ag = silver content and EQ = equivalence factor, which is calculated as the ratio of gold price to silver price * ratio of gold metallurgical recovery to silver metallurgical recovery. $EQ60 = PAu/PAg * RAu/RAg = 60$, based on long-range prices of gold at US\$900/oz & silver US\$15/oz, and recoveries of gold at 85% and silver at 84% respective.

Laguna has four additional high quality gold projects in the Maricunga called Maricella, Cerro Iman, Guanaca and Cachitos. These are at a much earlier stage of exploration and development when compared to Arqueros.

4.6. Publicly available information

Laguna is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. For information concerning the financial position and affairs of Laguna, you should refer to the information that has been disclosed by Laguna pursuant to these requirements. Copies of announcements made by Laguna to ASX are available from ASX.

The annual report for Laguna for the twelve months ended 31 December 2009 was lodged with ASIC on 23 April 2010 and given to ASX on that date. The financial report for Laguna for the half-year ended 30 June 2010 was lodged with ASIC on 3 September 2010 and given to ASX on that date.

A list of Laguna's announcements which have been lodged with ASX since 3 September 2010 (being the end of the last financial period for which audited financial statements of Laguna were prepared), is set out in Annexure B. This information may be relevant to your assessment of the Offer. A copy of each of these announcements can be obtained from ASX. In addition, copies of other major announcements by Laguna can be obtained from Laguna's website: www.lagunaresources.com

In addition, the Corporations Act requires the Laguna Directors to provide a target's statement to holders of Laguna Shares, setting out their recommendations in relation to this Offer and all the information that the holders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer.

4.7. Capital Structure of Laguna

(a) According to various documents lodged by Laguna with ASX, as at 26 November 2010, being the latest practicable date prior to the lodgement of this Bidder's Statement with ASIC, the total number of securities in Laguna on issue is as follows:

- (i) 1,236.5 million Laguna Shares;
- (ii) 2.08 million Laguna Equity Participation Shares (unquoted);
- (iii) 0.1 million Laguna Partly Paid Shares (unquoted);
- (iv) 1.4 million Laguna Contingent Share Entitlements (unquoted); and
- (v) 10 million Laguna Options (unquoted), consisting of the following:

Exercise Price	Expiry Date	Number of options
\$0.01	31 December 2012	5,000,000
\$0.03	31 December 2012	5,000,000

Only the first series of Laguna Options listed in the table above (with an exercise price of \$0.01) have currently vested and are thus exercisable.

- (b) Kingsgate has reviewed various available documents concerning the Laguna Equity Participation Shares and has concluded that they:
- are partly-paid shares held by approximately 211 persons;
 - have various amounts paid up on them and also have various amounts of moneys payable (ie amounts that remain unpaid) in respect of them, noting Laguna's 1 for 25 share consolidation that occurred in 2008;
 - were issued under one or more employee share schemes and are voting shares as defined in section 9 of the Corporations Act;
 - have a number of votes attached to them at present (for the purposes of section 610 of the Corporations Act in calculating voting power) of nil (as 'relevant dates' under their terms of issue have not occurred);
 - are not in the same class as the Laguna Shares (the 'bid class'); and
 - are securities that exist as at the Record Date and may (but are very unlikely to) come to be in the 'bid class' during the period from the Record Date to the end of the Offer Period due to a conversion or exercise of rights.
- (c) Kingsgate has reviewed various available documents concerning the Laguna Partly Paid Shares and has concluded that they:
- are partly-paid shares held by approximately 383 persons and with a total issue price of \$12.50 per share;
 - have 2 different amounts paid up on them (being \$2.50 or \$10.154 paid up) and correspondingly have 2 different amounts that remain unpaid in respect of them, being \$10.00 per share or \$2.346 per share respectively, noting Laguna's 1 for 25 share consolidation that occurred in 2008;
 - are voting shares as defined in section 9 of the Corporations Act;
 - have a proportional number of votes attached to them at present (for the purposes of section 610 of the Corporations Act in calculating voting power) of 1 vote per 5 shares (for the 102,503 shares paid to \$2.50) or 81 votes per 100 shares (for the 9,810 shares paid to \$10.154);
 - are in the same class as the Laguna Shares (the 'bid class'); and
 - should be subject to Offers with an allowable difference attributable to the fact that different amounts are paid up or remain unpaid on these shares.

4.8. Kingsgate relevant interest in Laguna securities

Kingsgate's relevant interest in Laguna Shares and voting power (as those terms are defined in the Corporations Act) in Laguna (as at the dates specified) is shown below:

	At date of this Bidder's	At date first Offer is sent

	Statement	
Relevant interest in Laguna Shares and voting power in Laguna	245.198 million Laguna Shares representing voting power of 19.83%	245.198 million Laguna Shares representing voting power of 19.83%

4.9. Acquisition by Kingsgate of Laguna Shares during previous 4 months

During the period beginning four months before the date of the bid, neither Kingsgate nor any associate of Kingsgate has provided, or agreed to provide, consideration for a Laguna Share under a purchase or agreement.

4.10. Inducing benefits given by Kingsgate during previous 4 months

Kingsgate has entered into pre-bid acceptance agreements with three Laguna shareholders, representing 10.25% of the Laguna Shares on issue. In broad outline, these shareholders have contractually committed to accept the Offer, subject to no superior proposal being received by Laguna. Further particulars of the terms of these agreements have been provided by Kingsgate in a substantial shareholder notice that was lodged with the ASX on 26 October 2010.

Furthermore, Kingsgate has purchased all of the 118,479, 516 options over Laguna Shares expiring 31 December 2010 and exercised them (at 0.9356 cents per Laguna Share) prior to the date of this Bidder's Statement for a total exercise price received by Laguna of \$1.108 million. The total purchase price of those options was \$1.261 million, representing 1.0644 cents per option (being the intrinsic value of those options based on an implied offer price of 2 cents per Laguna Share), as at the Announcement Date. There were 25 holders of these options and many of those holders were holders of Laguna Shares.

Except as set out in this Bidder's Statement, during the period beginning 4 months before the date of this bid, neither Kingsgate nor any associate of Kingsgate, gave, or offered to give, or agreed to give a benefit to another person, that is not offered to all holders of Laguna Shares under the Offers and was likely to induce the other person, or an associate of the other person, to:

- (a) accept an Offer; or
- (b) dispose of Laguna Shares.

4.11. Recent performance of Laguna Share price on ASX

The last market sale price of Laguna Shares on ASX on 14 October 2010, being the last day of trading before the Announcement Date was A\$0.015.

The last market sale price of Laguna Shares on ASX on 26 November 2010, being the latest practicable date prior to the lodgement of this Bidder's Statement with ASIC, was A\$0.018.

The highest market sale price of Laguna Shares on ASX in the 12 months prior to 26 November 2010, being the latest practicable date prior to the lodgement of this Bidder's Statement with ASIC, was A\$0.021.

The lowest market sale price of Laguna Shares on ASX in the 12 months prior to 26 November 2010, being the latest practicable date prior to the lodgement of this Bidder's Statement with ASIC, was A\$0.010.

4.12. Effect of the Offer on Laguna Options and Laguna Contingent Share Entitlements

The Offer does not extend to the Laguna Options or the Laguna Contingent Share Entitlements. However, the Offer extends to all Laguna Shares that are issued during the period from the Register Date to the end of the Offer Period due to the exercise of the Laguna Options or the Laguna Contingent Share Entitlements.

Kingsgate may elect to make private treaty offers (or request Laguna to make such offers), to holders of Laguna Options to acquire or cancel their Laguna Options.

Kingsgate may elect to make private treaty offers (or request Laguna to make such offers), to holders of Laguna Contingent Share Entitlements to acquire or cancel their Laguna Contingent Share Entitlements.

Laguna Contingent Share Entitlements become exercisable on 22 March 2012 or if a person (such as Kingsgate) becomes entitled to compulsorily acquire all of the Laguna Shares under Chapter 6A of the Corporations Act or in certain other events.

4.13. Effect of the Offer on Laguna Equity Participation Shares

The Offer does not extend to the Laguna Equity Participation Shares. However, the Offer extends to all Laguna Shares that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of the Laguna Equity Participation Shares.

5. IMPLEMENTATION OF SCHEME TO FORM TRIPLE COMBINED ENTITY

On 20 October 2010, Kingsgate and Dominion announced to the ASX that they had signed a Scheme Implementation Agreement. Under the Scheme Implementation Agreement, it is proposed that Kingsgate will acquire all of the issued shares and options in Dominion under the Dominion Schemes.

Consideration for the transaction will be provided in the form of Kingsgate Shares, with Dominion Shareholders offered 0.31 Kingsgate Shares for each Dominion Share, valuing Dominion at \$3.63 per share or approximately A\$376 million based upon the Kingsgate share price when the Dominion Schemes were announced. The Dominion Schemes have been unanimously recommended by Dominion's Board of Directors in the absence of a superior proposal, who will vote the shares they control in favour of the transaction.

Dominion is a publicly listed Australian gold producer and explorer, with a high quality gold mine in South Australia and a suite of prospective exploration projects spanning three Australian States.

Dominion's key asset is the 100%-owned Challenger Gold Mine located in South Australia, which has been in production since October 2002, initially as an open pit operation before subsequently transitioning to full-scale underground production in early 2005. In the year ending 30 June 2010, Challenger produced 80,570 oz of gold at a cash operating cost of A\$697/oz. At 30 June 2010, resources totalled 950,220 ounces of gold containing reserves of 420,440 ounces (excluding gold in plant circuit).

The Triple Combined Entity will be known as "Kingsgate Consolidated Limited" and will be listed on the ASX. Some of the benefits of the combined business are set out below:

- an implied market capitalisation upon implementation of the Dominion Schemes of approximately \$1.6 billion;¹⁹
- two operating assets – Chatree in central Thailand and the Challenger project in South Australia – which together produced 213,198 ounces of gold in the year to 30 June 2010;
- the potential to increase the Triple Combined Entity's production up to 300,000 ounces per annum assuming the Chatree North Processing Plant is completed and becomes operational;
- gold reserves of 2.4 million ounces and gold resources of 5.3 million ounces;²⁰
- a portfolio of exploration tenements and applications in Thailand, South Australia, South America, Western Australia and the Lao People's Democratic Republic;
- experienced operating and development teams with technical expertise in open pit and underground gold mining;
- well respected management with a history of delivering shareholder value; and
- a robust balance sheet with expected strong operational cashflow.

The Triple Combined Entity will have its registered head office in Sydney and offices in Perth and Bangkok. The total workforce, including short and long term contractors is estimated to be over 1,200 people.

Kingsgate's strategy for the Kingsgate Group will be to continue to explore, own, develop and operate high quality gold projects. Kingsgate will also continue to evaluate potential acquisitions of other high quality projects, mainly in South East Asia, Australia and South America.

If the Dominion Schemes are implemented, the Triple Combined Entity's Board will consist of five directors. Each of the existing four current Kingsgate Directors will continue as directors and Kingsgate has invited one Dominion Director, Peter Alexander, to join the Triple Combined Entity's Board. Additionally, the current Chairman of Dominion, Peter Joseph, will be retained as an adviser to the Kingsgate Board.

The corporate governance policies and practices of the Triple Combined Entity will be the same as Kingsgate's existing policies and practices, as set out in Section 2.6.

¹⁹ Based on the Kingsgate closing share price of \$11.71 on 19 October 2010, being the last trading date before the Announcement Date, and Kingsgate's offer of 0.31 Kingsgate Shares for each Dominion Share.

²⁰ See Section 2.4(d) of this Bidder's Statement for further information.

The senior management team for the Triple Combined Entity will comprise the Kingsgate senior management team set out in Section 2.5 as well as the senior management team currently employed by Dominion with the exception of the Executive Directors. Gavin Thomas will continue as Managing Director and Chief Executive Officer and Peter Warren will continue as Chief Financial Officer.

As at 26 November 2010, Kingsgate had 101,087,786 ordinary shares on issue. Upon implementation of the Dominion Schemes, Kingsgate will issue 32,416,416 additional shares to acquire a 100% interest in Dominion pursuant to the Dominion Share Scheme and to procure that all Dominion Options are cancelled pursuant to the Dominion Option Scheme. A meeting of Dominion Shareholders, and a meeting of the Dominion Optionholders to approve the Dominion Schemes is expected to be held in late January 2011, with the Dominion Schemes expected to be implemented by early February 2011.

The risks associated with the proposed Dominion acquisition are set out Section 9.7 of this Bidders Statement.

6. KINGSGATE'S INTENTIONS - LAGUNA

6.1. Introduction

The intentions of Kingsgate in relation to Laguna are set out in this Section 6 of this Bidder's Statement. These intentions have been formed on the basis of facts and information concerning Laguna, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached by Kingsgate in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 6 are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

6.2. Overview and rationale for the Takeover Bid

Kingsgate's corporate strategy is to consolidate its position as one of the ASX's premier mid-tier gold producers. An important element of this strategy is the identification and implementation of growth opportunities which provide diversification outside of its core Chatree mine and where Kingsgate can use its key areas of expertise to build a pipeline of projects at various stages of development.

The Laguna bid is an early example of the implementation of this strategy. Kingsgate will accelerate the evaluation and feasibility of the Arqueros project, leveraging its expertise both in Chile and the specific style of mineralisation, to comprehensively evaluate and potentially develop the project. If the project moved through the development phase into production, Arqueros would provide Kingsgate with geographic diversification, an operating platform in a new region and an additional operational cash flow source.

For a description of the effect of the Offer on Kingsgate, please refer to Section 8 (Financial Information).

6.3. Compulsory acquisition

(a) Compulsory Acquisition of Laguna Shares

If, as a result of the Offers, Kingsgate becomes entitled to compulsorily acquire outstanding Laguna Shares under Part 6A.1 of the Corporations Act,

Kingsgate presently intends to proceed with compulsory acquisition of those Laguna Shares and any Laguna Shares which come into existence within the period of 6 weeks after Kingsgate gives the compulsory acquisition notice (referred to in section 661B(1) of the Corporations Act) due to the conversion of, or exercise of, Convertible Securities.

If, as a result of the Offers, Kingsgate becomes entitled to compulsorily acquire any Laguna Shares which come into existence after the period of 6 weeks after Kingsgate gives the compulsory acquisition notice due to the conversion of, or exercise of, Convertible Securities under Part 6A.2 of the Corporations Act, Kingsgate presently intends to proceed with compulsory acquisition of those Laguna Shares.

(b) **Compulsory Acquisition of Convertible Securities**

Kingsgate is not making a separate offer to acquire any of the Convertible Securities.

However, if Kingsgate acquires a relevant interest in 90% or more of the Laguna Shares, Kingsgate will under section 663A of the Corporations Act be required to offer to buy out the holders of securities that are convertible into Laguna Shares (that being, the Laguna Options, the Laguna Equity Participation Shares and the Laguna Contingent Share Entitlements) on specified terms and conditions. Holders of the Convertible Securities may, but are under no compulsion to, accept Kingsgate's offer. Whilst Kingsgate may be under an obligation to offer to buy out the holders of the Convertible Securities under section 663A of the Corporations Act, as at the date of this Bidder's Statement, Kingsgate has not made any determination as to what the terms and conditions for any such offer to buy out the Convertible Securities would comprise.

Further, if Kingsgate acquires a sufficient number of Laguna Shares (either under the Offer or otherwise), with effect that Kingsgate is, for the purposes of section 664A a "90% holder" in relation to a class of securities in Laguna, then Kingsgate will be entitled to acquire all of the Convertible Securities. Kingsgate has not, as at the date of this Bidder's Statement, determined whether or not it will exercise this so-called general compulsory acquisition power to acquire the outstanding Convertible Securities if it becomes entitled to do so.

6.4. Overview of intentions for Laguna

Subject to the matters described in this Section 6 and elsewhere in this Bidder's Statement and, in particular, the completion of the proposed review of Laguna's operations referred to in Sections 6.5(b) and 6.6(b), it is the intention of Kingsgate, on the basis of the facts and information concerning Laguna that are known to it and the existing circumstances affecting the assets and operations of Laguna at the date of this Bidder's Statement, that:

- other than the Forward Work Program, the business of Laguna will be conducted in substantially the same manner as it is presently being conducted;
- other than the Forward Work Program, no major changes will be made to the business of Laguna;

-
- there will be no redeployment of the fixed assets of Laguna; and
 - the present employees of Laguna will continue to be employed by Laguna.

6.5. Intentions for Laguna as a wholly-owned subsidiary

The intentions of Kingsgate if Laguna becomes its wholly-owned subsidiary (or if Kingsgate holds 100% of the Laguna Shares that are fully paid) are set out in this Section 6.5.

(a) Corporate matters

Kingsgate intends to:

- arrange for Laguna to be removed from the official list of the ASX (subject to any required approval of the ASX); and
- replace all of the non-executive members of the Laguna Board with nominees of Kingsgate. Replacement board members have not yet been identified by Kingsgate and their identity will depend on the circumstances at the relevant time. However, it is expected that ultimately either all or the majority of the new board members will be members of Kingsgate's management team or the Kingsgate Board.

(b) Review of operations and assets

After the end of the Offer Period, Kingsgate intends to conduct a review of Laguna's assets from a strategic and financial perspective to evaluate amongst other things:

- the prospects for each of Laguna's assets, and which of those assets demonstrate a strategic fit with Kingsgate's existing assets or are consistent with Kingsgate's corporate objectives;
- the optimum strategy to fast track Arqueros through to final feasibility stage; and
- which of Laguna's assets are to be retained and which (if any) are to be disposed of, having regard to the value that may be realised if there is, and the timing of, an orderly disposal of such assets.

As part of this review of Laguna's assets (and in particular the strategy for Arqueros), Kingsgate may implement the Forward Work Program with significantly higher expenditure levels than currently being anticipated by Laguna.

Based upon publicly available information, Kingsgate presently intends to retain, and continue to evaluate, explore and if viable develop, all of Laguna's gold assets located in Chile.

(c) Impact on employees

The position of Laguna's employees will be considered as part of the review noted in Section 6.5(b) above. However, it is Kingsgate's current intention that all employees will continue to be employees of the Kingsgate Group.

6.6. Intentions for Laguna if it is controlled by Kingsgate (ie, Laguna is a "controlled entity")

The intentions of Kingsgate if Laguna becomes a controlled entity, but not a wholly-owned subsidiary of Kingsgate, are set out in this Section 6.6. It also describes

Kingsgate's intentions if Kingsgate is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

It should be noted that Kingsgate may acquire practical control of, or a significant degree of influence over, Laguna at ownership levels considerably below 90%.

If Laguna becomes a controlled entity, but not a wholly-owned subsidiary of Kingsgate, Kingsgate's current intentions are as follows:

(a) Corporate matters

Kingsgate intends, subject to the Corporations Act, Listing Rules and the constitution of Laguna:

- during or after the end of the Offer Period to seek (through discussion and negotiation, but failing agreement, by convening a meeting of Laguna shareholders) to replace the non-executive members of the Laguna Board with nominees of Kingsgate, so that there is a majority of Kingsgate nominees on the Laguna Board and the proportion of such nominees is not less than the voting power of Kingsgate. If Laguna remains listed on the ASX, Kingsgate would consider, but not necessarily be bound by, the recommendations in the ASX Corporate Governance Principles and Recommendations when determining the composition of the Laguna Board. Replacement Laguna Directors have not yet been finally decided by Kingsgate and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement Laguna Directors will be members of the Kingsgate management team or the Kingsgate Board;
- following the bid closing, through its nominees on the Laguna Board, review the appropriateness of Laguna's continued listing on the official list of the ASX. If the Laguna Board, in its absolute discretion decides that the benefits of that listing are outweighed by the additional corporate and compliance costs of doing so, then the Laguna Board would apply to the ASX for Laguna to be removed from the official list; and
- following the bid closing, through its nominees on the Laguna Board, Kingsgate may propose to shareholders a significant consolidation of the share capital of Laguna.

It is possible that, even if Kingsgate is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act, for example, as a result of acquisitions of Laguna Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights.

(b) Review of operations and assets (the Forward Work Program)

After the end of the Offer Period, Kingsgate intends, through its nominees on the Laguna Board, to propose that Laguna undertake a review of Laguna's assets and operations, along similar lines to that described in Section 6.5(b).

Kingsgate intends, subject to the approval of the Laguna Board, to participate in this review.

In particular, Kingsgate intends, through its nominees on the Laguna Board, to propose that Laguna undertake an aggressive forward work program on the Arqueros project in order to fast track the project through to final feasibility stage. This would include funding a detailed feasibility study and completing the required additional exploration drilling. In addition, exploration is likely to continue on Laguna's other projects.

Once the general administration costs of Laguna (both in Australia and Chile) are combined with the forward work program, and the remaining \$2.175m payable to Anglo American Norte S.A. in June 2011 to complete the purchase of Arqueros, the total expenditure commitments for Laguna are currently estimated by Kingsgate at approximately A\$13 million for the 12 months ending 31 December 2011.

(c) Dividends and funding

No dividends have been paid by Laguna in the last 5 years.

Kingsgate's view is that, given the early stage of development of all of Laguna's assets, it is unlikely that Laguna will pay dividends in the short or medium term.

As outlined in Section 6.6(b), Kingsgate expects that substantial additional funding will be required in early 2011. Given Laguna currently does not have any cash-generating assets, funding for these commitments will most likely be through an equity issue, if that is considered by the Laguna Board to be in the best interests of Laguna shareholders. Kingsgate will support the most appropriate form recommended by the Laguna Board.

It is likely therefore, that an equity issue of approximately \$13 million would be made to Laguna shareholders during the March quarter of 2011. If this equity raising is undertaken through a pro-rata issue, then all shareholders will need to participate to their pro-rata amount to avoid being diluted.

Following completion of the Arqueros feasibility study, the Laguna Board may decide to proceed to project development. The capital costs of similar sized operations to that being considered for Arqueros, are currently estimated at between US\$100-120m, inclusive of mine pre-production expenditure. This provides a guide to the potential funding requirement for Laguna when and if a development decision is made. Access to significant debt funding for such a development may not be available and equity funding is likely to be the preferred funding route. If this equity raising is undertaken through a pro-rata issue, then all shareholders will need to participate to their pro-rata amount to avoid being diluted.

(d) Impact on South American operations

Kingsgate is unlikely to use Laguna as its entity for conducting gold exploration development and production in both Chile and elsewhere in South America.

As mentioned in the Section entitled "Reasons Why You Should Accept Kingsgate's Offer", the Kingsgate management and Kingsgate Board has significant expertise in developing and operating gold projects in Chile and

South America and the region is a key focus for growth. Such initiatives are likely to be undertaken through other Kingsgate Group entities.

(e) Management expertise

As a stand alone entity, Laguna may not be able to source or keep employees with the required level of expertise to develop and operate Arqueros. Kingsgate will, as a controlling shareholder, procure that its personnel provide such expertise and know-how to assist with the management of Laguna's operations, and these are likely to be provided through a technical services agreement (or similar arrangements), on reasonable commercial terms acceptable to Kingsgate.

(f) Limitations in giving effect to intentions

The extent to which Kingsgate will be able to implement the intentions set out in this Section 6.6 will be subject to:

- (i) the law and the ASX Listing Rules, in particular in relation to related party transactions and conflicts of interests;
- (ii) the legal obligation of the directors of Laguna to act for proper purposes and in the best interests of Laguna shareholders as a whole; and
- (iii) the outcome of the proposed review of Laguna's operations referred to in Sections 5.5(b) and 5.6(b).

6.7. Intentions for Laguna if is not controlled by Kingsgate (ie Laguna is not a "controlled entity")

If Laguna does not become a controlled entity of Kingsgate, then the shareholding in Laguna will become an investment for Kingsgate which would be reviewed on an ongoing basis by the Kingsgate Board in accordance with its usual investment policies.

7. KINGSGATE'S INTENTIONS – DOMINION

On 20 October 2010, the Boards of Kingsgate and Dominion announced that the companies had signed a Scheme Implementation Agreement, under which Kingsgate proposes to acquire all outstanding Dominion Shares by way of a scheme of arrangement between Dominion and the Dominion Shareholders. Kingsgate also proposes that all outstanding Dominion Options will be cancelled in return for Kingsgate Shares under a separate scheme of arrangement between Dominion and the Dominion Optionholders.

This proposal, and its effect on Kingsgate, is information that is or may be material to the making of a decision by the holders of Laguna Shares whether or not to accept the Offer. Accordingly, Laguna shareholders may wish to understand Kingsgate's intentions with respect to Dominion.

(a) Overview

This Section 7 sets out Kingsgate's intentions in relation to:

- the continuation of the business of Dominion;
- any major changes to be made to the business of Dominion including any redeployment of its fixed assets; and

-
- the future employment of the present employees of Dominion.

These intentions are based on the facts and information concerning Dominion and the general business environment which are known to Kingsgate at the time of preparing this Bidder's Statement.

Final decisions about these matters will only be made by Kingsgate in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 7 are statements of current intention only and may change as new information becomes available or as circumstances change.

(b) Removal from the ASX

Kingsgate intends to arrange for Dominion to be removed from the Official List of the ASX after the Implementation Date of the Dominion Share Schemes.

(c) Dominion Board

Kingsgate intends to reconstitute the Dominion Board with its own nominees. Those nominees have not yet been identified. Final decisions on the selection of nominees will be made in light of the circumstances at the relevant time.

(d) Corporate matters

Kingsgate currently intends that the business and operations of Dominion will be conducted in substantially the same manner as they are presently being conducted. Kingsgate will review the key policies and standards of Dominion and, where appropriate, look to integrate them into Kingsgate's processes as soon as possible.

Kingsgate will also assess the combined portfolio of Kingsgate's and Dominion's operating assets to help to ensure the allocation of capital and deployment of key personnel is prioritised appropriately.

Kingsgate will also assess Dominion's current and proposed exploration properties, including a review of all available technical and financial data, in order to prioritise exploration activities and expenditure. The results of this assessment will be incorporated into Kingsgate's global exploration program.

Kingsgate intends to integrate Dominion's corporate office functions (such as accounting, finance, taxation, legal and company secretarial) with those of Kingsgate. Kingsgate intends to retain Dominion's Perth head office, which is likely to serve as a technical centre supporting the Triple Combined Entity's operational and exploration assets globally.

(e) Employees

It is Kingsgate's current intention to retain the existing Dominion workforce, other than Dominion's current executive directors, and for those persons to continue in their existing roles.

(f) The growth profile of the Triple Combined Entity will provide employees of both Kingsgate and Dominion with enhanced career opportunities. Employees may have the opportunity to work at different sites across the Kingsgate Group's portfolio to develop and best use their technical capabilities.

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- (g) Intentions generally
- Other than as set out in this Section 7 and elsewhere in this Bidder's Statement, it is Kingsgate's current intention:
- (i) to continue the business of Dominion;
 - (ii) not to make any major changes to the business of Dominion nor to redeploy any of Dominion's fixed assets; and
 - (iii) to continue the employment of Dominion's present employees.

8. FINANCIAL INFORMATION

8.1. Introduction

This Section 8 provides an overview of the unaudited pro forma financial position of Kingsgate as at 30 June 2010 to show the effect of 100% ownership of Laguna as if it had occurred as at that date under the following two scenarios:

- (a) that the proposed scheme of arrangement for Kingsgate to obtain 100% ownership of Dominion had completed as at 30 June 2010 (the Triple Combined Entity); and
- (b) that the proposed scheme of arrangement for Kingsgate to obtain 100% ownership of Dominion does not proceed (the Combined Kingsgate Laguna Entity).

The pro forma historical financial information has been prepared for illustrative purposes only.

This Section should be read in conjunction with the underlying financial information from which it was extracted, the Risk Factors set out in Section 9, the accounting policies of Kingsgate (as detailed in its financial statements for the year ended 30 June 2010) and other information contained within this Bidder's Statement.

8.2. Basis of preparation

The pro forma consolidated statements of financial position are based on Kingsgate's and Dominion's respective financial statements as at 30 June 2010 which were audited by PricewaterhouseCoopers and Ernst & Young respectively, both of which issued unqualified audit reports and the half year financial statements of Laguna, which were subject to review by PricewaterhouseCoopers which issued an unqualified review opinion. Copies of these financial statements can be found on the respective websites www.kingsgate.com.au, www.dml.com.au and www.lagunaresources.com.

The pro forma historical financial information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, together with certain pro forma adjustments and in accordance with Kingsgate's accounting policies, as set out in the annual financial report of Kingsgate for the year ended 30 June 2010.

The Kingsgate Group pro forma historical financial information has been presented in an abbreviated form insofar as it does not contain all the disclosures required by Australian Accounting Standards applicable to annual financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

8.3. Pro Forma consolidated statements of financial position as at 30 June 2010

Set out below are the following pro forma consolidated statements of financial position as at 30 June 2010:

- (a) the Combined Kingsgate Laguna Entity (assuming the Dominion acquisition does not proceed); and
 - (b) the Triple Combined Entity (assuming the Dominion acquisition proceeds).
- (c) **Pro forma consolidated statement of financial position the Combined Kingsgate/Laguna Entity**

	Kingsgate	Laguna	Adjustments	Pro Forma Consolidated
STATEMENT OF FINANCIAL POSITION As at 30 June 2010	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	49,098	2,159	-	51,257
Receivables	13,844	79	-	13,923
Inventories	11,744	-	-	11,744
Other assets	28,615	-	-	28,615
Total current assets	103,301	2,238	-	105,539
Non-current assets				
Inventories	37,552	-	-	37,552
Exploration, mine property, plant and equipment	221,516	5,175	15,403	242,094
Deferred tax assets	3,732	-	-	3,732
Available-for-sale financial assets	1,071	-	-	1,071
Other assets	1,903	8	-	1,911
Total non-current assets	265,774	5,183	15,403	286,360
TOTAL ASSETS	369,075	7,421	15,403	391,899
LIABILITIES				
Current liabilities				
Payables	15,055	147	-	15,202
Provisions	1,003	33	-	1,036
Current tax liabilities	3,225	-	-	3,225
Borrowings	10,982	-	-	10,982
Derivatives Held for Trading	-	-	-	-
Total current liabilities	30,265	179	-	30,444
Non-current liabilities				
Provisions	11,157	-	-	11,157
Payables	5,909	-	-	5,909
Borrowings	82	-	-	82
Deferred tax liabilities	5,619	-	-	5,619
Total non-current liabilities	22,767	-	-	22,767
TOTAL LIABILITIES	53,032	179	-	53,211
NET ASSETS	316,043	7,242	15,403	338,688
EQUITY				
Parent entity interest				
Contributed equity	156,068	293,988	(271,343)	178,713
Reserves	4,008	299	(299)	4,008
Retained profits	155,967	(287,046)	287,046	155,967
TOTAL EQUITY	316,043	7,242	15,403	338,688

(d) **Pro forma consolidated statement of financial position of the Triple Combined Entity**

STATEMENT OF FINANCIAL POSITION As at 30 June 2010	Kingsgate / Dominion 2010 \$'000	Laguna 2010 \$'000	Adjustments 2010 \$'000	Pro Forma Consolidated 2010 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	53,629	2,159	-	55,788
Receivables	20,173	79	-	20,252
Inventories	15,958	-	-	15,958
Other assets	28,892	-	-	28,892
Total current assets	118,652	2,238	-	120,890
Non-current assets				
Inventories	37,552	-	-	37,552
Exploration, mine property, plant and equipment	549,573	5,175	15,403	570,151
Deferred tax assets	20,059	-	-	20,059
Available-for-sale financial assets	1,071	-	-	1,071
Other assets	1,903	8	-	1,911
Total non-current assets	610,158	5,183	15,403	630,744
TOTAL ASSETS	728,810	7,421	15,403	751,634
LIABILITIES				
Current liabilities				
Payables	27,674	147	-	27,821
Provisions	3,948	33	-	3,981
Current tax liabilities	3,225	-	-	3,225
Borrowings	11,057	-	-	11,057
Derivatives Held for Trading	5,598	-	-	5,598
Total current liabilities	51,502	179	-	51,681
Non-current liabilities				
Provisions	12,227	-	-	12,227
Payables	5,909	-	-	5,909
Borrowings	82	-	-	82
Deferred tax liabilities	5,619	-	-	5,619
Total non-current liabilities	23,837	-	-	23,837
TOTAL LIABILITIES	75,339	179	-	75,518
NET ASSETS	653,471	7,242	15,403	676,116
EQUITY				
Parent entity interest				
Contributed equity	497,946	293,988	(271,343)	520,591
Reserves	4,008	299	(299)	4,008
Retained profits	151,517	(287,046)	287,046	151,517
TOTAL EQUITY	653,471	7,242	15,403	676,116

8.4. Pro forma adjustments

The following pro forma adjustments have been made in reflecting the acquisition of a 100% ownership interest in Laguna:

- Kingsgate exercising 118,479,516 Laguna options at 0.93 cents each for a total consideration of \$1,102,000;
- other Laguna shareholders receiving 1 Kingsgate share for every 520 Laguna Shares they hold at a price of \$0.02 per share being based on the 5-day VWAP of Kingsgate Shares as at 24 November 2010 being the last practical date prior

to issue of this Bidders Statement. This has resulted in an increase in equity of \$22,645,000. (See also Section 8 (e) below relating to acquisition accounting; and

- (c) the elimination of Laguna's contributed equity of \$295,090,000 and pre acquisition reserves of \$299,060 and retained losses of \$287,046,000 on acquisition and consolidation by Kingsgate together with the recognition of additional exploration, mine property, plant and equipment of \$15,403,000 arising on acquisition (see Section 8.5 below relating to acquisition accounting).

The following pro forma adjustments have been made in producing the Triple Combined Entity's Consolidated Statement of Financial Position as at 30 June 2010:

- (d) the Dominion Schemes are implemented with:
 - (i) Dominion Shareholders receiving 0.31 Kingsgate Shares for each Dominion Share they hold at a price of \$3.26 per share being based on a 5-day VWAP for Kingsgate of \$10.53 as at 24 November 2010 being the last practical date before this Bidder's Statement was lodged with ASIC; and
 - (ii) Dominion Optionholders receiving the Option Scheme Consideration.

This has resulted in an increase in contributed equity of \$341,878,000. (See also Section 8.5 below relating to acquisition accounting).
 - (iii) a decrease in cash and cash equivalents together with retained profits of \$4,450,000 representing the expensing of Kingsgate's transaction costs associated with the Dominion Schemes and a decrease in cash and pre acquisition retained earnings of Dominion of \$3,215,000 representing Dominion's transaction costs associated with the Dominion Schemes;
 - (iv) the declaration and payment of a dividend of 4 cents a share by Dominion post 30 June 2010 settled via the issue of additional shares to a value of \$454,000 under the Dominion Dividend Reinvestment Plan and a cash payment of \$3,679,000; and
 - (v) the elimination of Dominion's contributed equity of \$53,984,000 and pre acquisition reserves of \$11,020,000 and retained earnings of \$554,383,000 on acquisition and consolidation by Kingsgate together with the recognition of additional exploration, mine property, plant and equipment assets of \$226,624,000 arising on acquisition (see Section 8.5 below relating to acquisition accounting).

8.5. Acquisition accounting

Acquisition accounting will be applied in accordance with AASB3 Business Combinations. The purchase consideration for the proposed acquisitions of both Laguna and Dominion will be measured as the fair value of the Kingsgate Shares issued at the date of exchange. The measurement of the purchase consideration in the Pro Forma Consolidated Balance Sheets of \$0.02 and \$3.62 respectively per share is based on Kingsgate's 5-day VWAP as at 24 November 2010. Consequently the value of the purchase consideration for accounting purposes will differ from the amount

assumed in the Pro Forma Consolidated Balance Sheets due to future changes in the market price of Kingsgate Shares.

The difference between the fair value of the consideration transferred by Kingsgate (as discussed in the prior paragraph) and the book value of the assets and liabilities of both Laguna and Dominion has been treated as an increase in exploration, mine property, plant and equipment. Goodwill is the potential residual amount that may arise after the comparison of the fair value of the purchase consideration with the fair value of the net assets (including contingent liabilities) acquired. It is anticipated that no significant goodwill will arise on acquisition as the fair value of Laguna's and Dominion's mine properties plant and equipment is anticipated to be largely reflective of the purchase consideration.

Following the respective acquisitions a detailed valuation of the identifiable assets, liabilities and contingent liabilities of both Laguna and Dominion will be undertaken to ascertain the appropriate allocation of this difference. The tax carrying values of both Laguna's and Dominion's assets will be required to be reset which will result in a net increase in deferred tax liabilities. These adjustments will impact depreciation and amortisation changes in future financial periods.

Due to the above, the actual impact of acquisition accounting may vary from that disclosed in the pro forma consolidated statements of financial position.

9. RISK FACTORS

9.1. Introduction

If the Offers are accepted by Laguna Shareholders, then Laguna Shareholders will receive the Offer consideration in the form of Kingsgate Shares. The value of the Offer to those Laguna Shareholders will therefore depend upon the future value of Kingsgate Shares. The future value of Kingsgate Shares will itself depend on the future performance of the Kingsgate Group. Laguna Shareholders should therefore consider the risks which may affect future performance.

In the immediate term, Laguna Shareholders should also consider the risks relating to the Dominion Schemes and integration risks. These risks are set out in Section 9.7.

The risks which are known to Kingsgate and which may have a material adverse impact on the future performance of the Kingsgate Group are described in this Bidder's Statement and include the risks set out in this Section 9. For ease of reference, the risks described in this Section 9 have been divided as follows:

- (a) operational risks affecting Kingsgate;
- (b) operational risks affecting Dominion;
- (c) general operational and mining risks affecting both Kingsgate and Dominion;
- (d) risks affecting the financial performance of the Kingsgate Group;
- (e) risks relating to holding Kingsgate Shares; and
- (f) risks relating to the Dominion Schemes and integration risks.

The risks identified in this Bidder's Statement are not necessarily exhaustive. Kingsgate gives no assurance or guarantee of future performance or profitability of, or payment of dividends by, the Kingsgate Group. Kingsgate also gives no assurance or guarantee that the risks set out in this Bidder's Statement will not change, or that

additional risks will not arise. There may be other material risks which are not disclosed in this Bidder's Statement because they are not known to Kingsgate or were not considered to be material as at the date of this Bidder's Statement.

Many of the risks described in this Section 9 are inherent to Dominion and Kingsgate as separate entities. Some risks may be mitigated by the use of safeguards and appropriate systems and controls and insurances. However, many of the risks are outside the control of Kingsgate, Dominion and the Kingsgate Group.

This Section 9 does not take into account the investment objectives, financial circumstances or particular needs of individual Laguna Shareholders. It is important that Laguna Shareholders carefully read this Bidder's Statement in its entirety (particularly the risks set out in this Section 9), consider their personal circumstances and seek independent professional advice before deciding how to vote in relation to the Proposal.

9.2. Operational risks affecting Kingsgate

This Section 9.2 sets out the operational risks which are specific to Kingsgate by virtue of its ownership of Akara which holds the Kingsgate Group's Thai mining assets (including Chatree). They are risks which will affect the Triple Combined Entity if Kingsgate acquires Dominion.

Gold production costs at Chatree

Chatree is an open pit mine. The open pit mining process typically starts at the top of the ore body and progresses to deeper levels. Production efficiency typically decreases as mining depth increases given the increased costs of transporting the ore and waste out of the open pit. As production efficiency decreases, unit costs at Chatree will increase and the operating margin could be materially and adversely affected.

The mining rate at Chatree currently exceeds the processing rate, which allows Kingsgate to process the highest grade ore mined through the processing plant and to stockpile the lower grade ore. If additional reserves of a similar grade as that which Kingsgate currently processes is not identified, lower grade ore will need to be processed which will result in reduced gold production and increased unit costs, which in turn may have a material adverse effect on Kingsgate's business and results of operation.

Increased processing capacity at Chatree

Kingsgate is currently constructing the Chatree North Processing Plant to increase the total nameplate processing capacity at Chatree from the current 2.3 million tonnes per annum to approximately 5 million tonnes per annum of ore. There is no guarantee that the Chatree North Processing Plant will be commissioned and operate as expected or will result in anticipated higher gold production. The timing, completion, successful commissioning and efficient operation of any processing facility may be adversely affected by any number of factors outside of Kingsgate's reasonable control, including

failures or delays in sourcing equipment and materials of the required quality or in the required quantities, labour shortages, failures to obtain the required licences, defects in design or construction and adverse weather conditions. Any delays or failures in successfully completing any increase in Kingsgate's production capacity may materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

Kingsgate will require additional licenses from the Thai authorities (refer to the risk factor "Licenses and permits in Thailand" for further details) to operate this plant and whilst Kingsgate expects to receive such licences in due course there is no guarantee this will occur.

**Capital
expenditure
requirements at
Chatree**

Kingsgate intends to meet its capital expenditure requirements at Chatree, including for the construction of the Chatree North Processing Plant, from a combination of existing cash reserves, cash flows from operations and external sources of financing. There is no certainty that Kingsgate will be able to generate the necessary funds or obtain required financing at an acceptable cost, in which case the planned construction and improvements may not proceed as currently planned.

**Licences and
permits in
Thailand**

Thai regulatory authorities exercise considerable discretion in deciding whether to issue licences, the timing of issuing licences and renewal of licences and monitoring of licensees' compliance with licence terms. Requirements imposed by these authorities, which require Kingsgate to comply with numerous industrial standards, recruit qualified personnel, maintain necessary equipment and quality control systems, monitor operations, maintain appropriate filings and, upon request, submit appropriate information to the licensing authorities, may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. Various factors can also influence whether any alleged non-compliance by Kingsgate with licensing regulations and the terms of licences could lead to suspension or termination of Kingsgate's licences and permits, and/or to administrative, civil and criminal liability.

Kingsgate's business depends on the continuing validity of its licences, the issuance of new licences and compliance with the terms of those licences. Currently Kingsgate operates mining operations under 14 mining leases. Nine of these leases will expire in 2028, four will expire in 2020 and one will expire in December 2012. Kingsgate will apply to renew these licences at the appropriate time. All leases allow Kingsgate to apply for a five year extension.

Kingsgate holds 51 SPLs for mineral exploration in other regions outside of Chatree which will expire on 9 August 2011 and 1 SPL which will expire on 9 November 2012. Kingsgate intends to reapply for substantially all of these SPLs, and granting of these SPLs will be subject to the same procedures as outlined in relation to SPLAs in the risk factor “Thai mining policies” set out below. Successful exploration under these SPLs may lead to Kingsgate making new applications for mining leases but there is no guarantee that any applications will lead to the grant of mining leases.

Kingsgate requires additional licenses from various Thai authorities to operate the Chatree North Processing Plant including a factory licence from the Ministry of Industry and a licence for metallurgical processing from the Director-General of the Department of Primary Industries and Mining (**DPIM**). Whilst Kingsgate expects to receive such licences in due course, failure to receive these licences could materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

The legal and regulatory basis for the licensing requirements is subject to frequent change. It is possible that licences applied for and/or issued in reliance on acts and policies relating to mining operation rights issued by the DPIM may be challenged by any third parties whose rights are adversely affected by the issuance of the licences, or otherwise determined to be invalid or revocable if such acts or policies were found to be beyond the authority of the DPIM or if the licences were issued in breach of the required procedures. Such deficiencies may subject Kingsgate's mining leases to administrative claims. In the event of a material violation of the relevant procedures by Kingsgate, the licensing authorities may require Kingsgate to suspend its operations or Kingsgate may incur substantial costs in eliminating or remedying the violation, which could have a material adverse effect on Kingsgate's business and results of operations.

Additionally, any environmental issues raised by non-Government organisations, environmentalists or any other stakeholders may significantly influence the relevant authorities in their consideration of any issuance of mining leases and SPLs.

In addition to the licences described above, Kingsgate is required to obtain other licences and approvals and to comply with other Thai laws and regulations. There is no certainty that Kingsgate will be able to obtain, maintain or procure renewal of all necessary licences and comply with all legal requirements necessary to conduct mining operations in the

future and, in the event that it fails to do so, operations in Thailand could be interrupted or cease completely, either of which could have a material adverse effect on Kingsgate's business and results of operations.

Expatriates represent less than 1% of the workforce at Chatree and require working visas to work in Thailand. Should these visas not be granted or should the regulations governing the grant of these visas change, Kingsgate may not be able retain the expatriate workers at Chatree.

**Thai mining
policies**

The Thai Ministry of Industry is developing new gold exploration and mining policies. Before these policies are announced, no SPL application will be approved, including those made by Kingsgate.

Under the Thai Minerals Act, an SPL for mineral exploration has a maximum validity period of no more than five years from the date of issuance. Once an SPL for gold exploration expires in accordance with the legal period, it cannot be renewed in respect of the same area and a new application must be made instead. Kingsgate currently holds 51 SPLs for areas located in Phichit and Phitsanulok provinces which will expire on 9 August 2011 and one in Chantaburi province expiring on 9 November 2012. Additionally, Kingsgate has 76 SPLAs under review for areas located in Phichit, Phetchabun, Phitsanulok, Chantaburi, Lop Buri and Rayong provinces in Thailand.

If the new gold exploration and mining policies have not been announced before expiration of Kingsgate's current SPLs or the new gold exploration and mining policies impose more stringent requirements on new applications, the continuity of Kingsgate's exploration plan and potential applications for new mining leases may be affected and Kingsgate's business, financial condition, results of operations and prospects may be materially and adversely affected.

**Gold to be offered
to Thai
Government**

According to the Gold Exploration and Development Policy issued by the Thai Ministry of Industry in 1987, a mining lease holder must offer to sell its gold products to the Thai Government before making an offer to sell to any other person. DPIM applies this policy as part of the terms and conditions of each mining contract entered into between DPIM and the mining lease holder, including Kingsgate. The Ministry of Finance (MOF) issued a letter to the Ministry of Industry in 1999 stating that it did not intend to purchase Kingsgate's gold. The MOF may in the future change its policy and require Kingsgate to sell its gold to the Thai Government. The policy does not specify the details of how such a transaction would be

conducted.

Tax benefits

Kingsgate currently operates in Thailand with approvals provided by the Thai Board of Investment (TBOI). The TBOI is empowered to promote investment in Thailand in projects beneficial to the economy, society and national security by extending commercial benefits to these projects after imposing certain conditions. Kingsgate's original sponsorship for Chatree included the benefit of an eight-year full 30% corporate income tax holiday on Kingsgate's net profit derived from the promoted activity from 27 November 2001 (which expired in November 2009) followed by a five-year period of 50% tax reduction from the 30% corporate income tax, exemption from import duties on machinery and other rights and benefits based on location and types of activities.

The TBOI approval received recently for the Chatree North Processing Plant exempts Kingsgate from corporate income tax on its net profit derived from the promoted activity for up to 125% of Kingsgate's investment capital for a period of eight years. The exemption period commences from the date when Kingsgate first derives income from the promoted activity conducted at the Chatree North Processing Plant and includes exemption from certain import duties and other rights and benefits.

Under the terms and conditions of Kingsgate's TBOI approvals, Kingsgate must comply with the following significant conditions to continue to enjoy TBOI privileges and tax exemptions:

- reporting its financial conditions, the ratio of shareholdings and other matters;
- implementing a system to prevent and control damage to the environment;
- maintaining a mining lease or a mining operation licence throughout the promotion period; and
- having no less than 51% of Akara's share capital held by Thai nationals (where share capital is taken to include ordinary shares, all of which are held by Kingsgate Capital Pty Ltd, a wholly owned subsidiary of Kingsgate) and the Akara preference shares (held by Siphum).

There is no certainty that Kingsgate will be able to comply with all the terms and conditions of its TBOI approvals in the future. Failure to comply with the terms and conditions of TBOI approvals may result in revocation of tax and other benefits provided those approvals, which revocation may materially and adversely affect Kingsgate's business, financial

condition, results of operations and prospects.

**Thai royalty
payments**

In addition to corporate income taxes, Kingsgate is subject to Thai royalties on mineral production (see Section 2.3(d) of this Bidder's Statement).

Kingsgate's Thai royalty payments may increase in the future. A significant increase in Kingsgate's Thai royalty payments may have a material adverse effect on Kingsgate's profitability.

**Thai
environmental
and health laws**

Kingsgate's operations involve the use of environmentally hazardous materials as well as the discharge of materials and contaminants into the environment, disturbance of land, potential harm to flora and fauna, and other environmental concerns. Kingsgate is subject to the extensive environmental controls and regulations in Thailand, particularly the Thai Environmental Act.

Environmental regulations are undergoing recurrent modification in Thailand and Kingsgate regularly evaluates its obligations relating to new and changing legislation. New laws and regulations, the imposition of more stringent requirements for licences, increasingly strict requirement or new interpretations of existing environmental laws, regulations for licences or the discovery of previously unknown contamination may oblige Kingsgate to incur further expenditure to modify operations, install pollution control equipment, perform site clean-ups, curtail or cease operations or pay fees, fines or make other payments for discharges or other breaches of environmental standards.

Although Kingsgate's management believes that its operations are currently in compliance in all material respects with applicable regulations, there is no certainty that Thai authorities will not impose additional regulations or increase the levels of fees or fines for non-compliance, which could result in a significant increase in Kingsgate's expenditure in relation to environmental matters. The introduction of more stringent environmental laws and regulations dealing with gold exploration and production and environment restoration program, could lead to the need for special rehabilitation and decommissioning reserves or an increase in Kingsgate's environmental obligations, which could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Additionally, Kingsgate is obliged under the Thai Environmental Act to prepare an EIA report which must include a social impact assessment and a health impact assessment in any application for a mining lease, and to hold a

public hearing of people residing in the vicinity of any proposed gold mine. If Kingsgate's mining activity is considered a project which may be harmful to the environment and people's health by the Ministry of Natural Resources and Environment, the opinion of an independent environment and health organisation will be required before Kingsgate can receive EIA approval in relation to a particular project.

Kingsgate believes that it has prepared all EIAs which are required in connection with its existing operations at Chatree.

Projects and activities which may be harmful to the environment and people's health are not permitted under section 67 paragraph 2 of the Constitution of the Kingdom of Thailand year 2007 (**2007 Constitution**) unless the impact of such has been considered at a public hearing attended by those affected and advice has been sought from an independent body comprising representatives from environmental and health groups and higher education institutions involved in undertaking environmental and health studies.

Under section 67 of the 2007 Constitution, government agencies, state-owned-enterprises or private companies which own projects or businesses which are viewed as potentially causing a severe impact on the environment, natural resources and health of the people in the vicinity (**Severe Projects**) must conduct an EIA. The EIA must be prepared pursuant to the Ministry of Natural Resources and Environment (**MNRE**) notification regarding rules, procedures, practices and guidelines for preparing EIA reports for projects which may cause severe impacts on the community's environment, natural resources and health dated 29 December 2009 (**EIA Report Regulation for Severe Projects**). The Ministry of Industry announced 8 Severe Projects on 14 September 2009 and the MNRE announced 11 Severe Projects on 31 August 2010 (together, **Severe Project Notifications**). As part of an application for relevant licences or permits, an operator must conduct an EIA in accordance with the EIA Report Regulation for Severe Projects (including a Health Impact Assessment (**HIA**) as part of the EIA). In addition, the results of the EIA must be discussed with and an opinion sought from an independent body comprised of representatives from various interested groups.

The Severe Projects announced by the MNRE, comprising 11 types of projects and businesses, include gold mining operators using cyanide in the production process (which would include Kingsgate) while the Severe Projects announced by the Ministry of Industry do not include Kingsgate's operations. In a decision of the Central Administrative Court on 2 September 2010 in relation to projects in the Map Ta Phut

area, it was ruled that licences to operate the Severe Projects under the Severe Project Notifications which were issued after the effectiveness of the 2007 Constitution which have not yet arranged for the EIA (including the HIA) or otherwise complied with the requirements under the Severe Project Notifications, be revoked. Although Kingsgate, by using cyanide in the production process, is considered a Severe Project under the Severe Project Notifications, it is unclear how the DPIM will apply the court decision to mining leases such as those of Kingsgate which were granted after the effectiveness of the 2007 Constitution. There can be no assurance that Kingsgate will not be required to amend its existing EIA to include the HIA and other requirements under the EIA Report Regulation for Severe Projects with respect to mining leases issued in 2008 in order to receive the necessary permits and commence operations in compliance with section 67 of the 2007 Constitution, or take additional steps with respect to the existing mine and metallurgical processing plant in order to remain operational.

In the event Kingsgate is required to amend its existing EIA and take any additional action, there can be no certainty that it will be able to comply with the requirements in a timely manner or at all. In addition, if any law or order requires Kingsgate to comply with its terms, or if any interested person whose rights are adversely affected by any permits or operation invokes a section 67 complaint and initiates legal proceedings against Kingsgate, it cannot be certain that such occurrence would not materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

Kingsgate anticipates that it may be required to obtain an HIA for the Chatree North Processing Plant. As a consequence, Kingsgate has voluntarily started the process to obtain such an HIA. In the event that it is ultimately determined that an HIA is required and Kingsgate is not able to obtain it prior to completion of the Chatree North Processing Plant, or that HIA is not acceptable to the relevant Thai authorities, Kingsgate may be unable to commission the Chatree North Processing Plant on time. This would limit Kingsgate's operations at the Chatree and would adversely impact the operations and financial performance of the Kingsgate Group.

Need for further land

Kingsgate currently owns or has access to the majority of the land on which it operates. Future development resulting from successes in exploration might require Kingsgate to extend its operations beyond the land it currently owns. Kingsgate may incur significant expenditures associated with purchasing, leasing or gaining access to the additional land needed to

conduct future mining operations. There is no certainty that Kingsgate will have access to the funds required to finance any such acquisition or lease. Even if Kingsgate has access to sufficient funds, there is no certainty it will be successful in obtaining access to the required land, particularly when the land is a forest where additional Thai Government approval is required.

For the present or future needs of Kingsgate's operations, its subsidiary Suan Sak has acquired the possession right in relation to certain plots of land which do not have any title documents under the Land Code of Thailand (**non-title document land**). As previous land occupiers have no right of ownership over non-title document land, Suan Sak's possession rights are established by an agreement whereby the previous land occupiers renounced their possession over the land in favour of Suan Sak. However, as this particular non-title document land is considered to be forest land belonging to the Thai State under Thai law, this agreement is not enforceable against claims by the Thai Government. There is no certainty that Kingsgate will have access to the non-title document land if the Thai Government seeks to end Suan Sak's possession. Additionally, Suan Sak has permitted some plots of the non-title document land it occupies to be used by the previous land occupiers under a land use agreement. It is possible the previous land occupiers may seek to reoccupy the land, in which case Suan Sak must apply for a court injunction within one year in order to avoid losing its right of possession.

**Thailand
economic and
political risk**

Substantially all of Kingsgate's assets and operations are located in Thailand. Consequently, Kingsgate is subject to economic, political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in more developed economies such as Australia.

Kingsgate's businesses and operations in Thailand are subject to the changing economic conditions prevailing from time to time in Thailand. Factors that may adversely affect the Thai economy include:

- political instability;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in regional interest rates;
- changes in taxation;
- natural disasters, including tsunamis, earthquakes, fires, floods, drought and similar events;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by

-
- companies in the region;
 - increases in oil prices;
 - other regulatory, political or economic developments in or affecting Thailand; and
 - recent and threatened terrorist activities in South East Asia, including continued violence in the southern parts of Thailand.

There is no certainty that the Thai economy will meet current projections or improve in the future. Any downturn in the Thai economy could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Prior Thai Governments have intervened in the Thai economy and occasionally made significant changes in policies including, among other things, foreign exchange control, wage and price controls, capital controls and limits on imports, at times partially reversing such policies soon after the new policies were announced.

Prolonged political instability in Thailand could have a material adverse effect on economic and legal conditions in Thailand, which in turn could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects. Recent political events interrupted regular Thai Government functions which resulted in delays in decision making at official levels, including a delay in granting Kingsgate's application for a new BOI approval and delay in announcing new gold exploration and mining policies (which will impact the approval for all SPLAs including those of Kingsgate). It is also unclear whether the current political leadership will lead to any policy reforms affecting the gold mining sector in Thailand or Kingsgate in particular. Moreover, there may be a general election in 2011 and it is unforeseeable which political parties would form the government, or what national policies, including those related to the mining industry, would be adopted. Any such policy reforms could be inconsistent with Kingsgate's existing strategy and could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Thailand is also subject to a greater risk of violence and terrorist attack than more developed countries.

The region recently has experienced increasingly serious and frequent incidents of violence, including bombings of power stations, which caused blackouts in the provinces. If the security condition in Thailand deteriorates and violence

spreads to Northern provinces of Thailand, Kingsgate's business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, the wars in Iraq and Afghanistan, as well as events occurring in response to or in connection with these wars, including future terrorist attacks against targets in the Middle East, South East Asia or other regions, rumours or threats of terrorist attacks or war, actual conflicts involving the Middle East and trade disruptions, may impact Kingsgate's suppliers, contractors or customers and adversely impact Kingsgate's operations. Political or economic developments related to these crises could adversely affect the Thai economy and the global economy and could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Litigation by the preference shareholder

The preference shareholder of Akara (Sinphum) has commenced legal action against Akara and Kingsgate regarding several issues relating to the rights of the preference shares and Sinphum's rights under the SSA. The background to this legal action is discussed in detail in Section 2.10 of this Bidder's Statement.

Kingsgate vigorously denies all of Sinphum's claims and is opposing them in all relevant proceedings, and has received legal advice that these are baseless claims and are without merit. Although Kingsgate is confident in its position, there is no certainty that the relevant decision-making bodies will find in favour of Kingsgate in relation to all claims. Any decision in favour of Sinphum could have a material adverse impact on Kingsgate's ability to control its Thai operations (including undertaking an IPO of Akara should the Kingsgate Board elect to do so) and potentially its future financial performance.

Laguna acquisition risk

Kingsgate's proposed acquisition of Laguna is the subject of this Bidder's Statement. If the Takeover Bid is successful, Kingsgate will issue Kingsgate Shares to Laguna Shareholders and existing Kingsgate Shareholders will therefore be diluted.

If the acquisition of Laguna is successful, Kingsgate will be indirectly exposed to all of the risks which currently face Laguna, including risks associating with exploring for minerals and mining in Chile and some of the general mining risks of the sort described in Section 9.4 below.

There is also a risk that Laguna's exploration tenements will not show positive results and, if they are mined, will not produce the results that were expected. This may have an adverse effect on the Kingsgate Group's financial performance.

9.3. Operational risks affecting Dominion

This Section 9.3 sets out the operational risks which are specific to Dominion. These are risks which already affect Dominion's operations and so are risks which will affect the Triple Combined Entity if Kingsgate comes to acquire Dominion.

Woomera Prohibited Area

Dominion's primary asset, the Challenger mine, is located within the "non-core" Woomera Prohibited Area (**WPA**). The WPA is an area of about 127,000 square kilometres in central South Australia that has been designated under the Defence Force Act 1903 (Cth) and the Defence Force Regulations 1952 (Cth) as a prohibited area for the purposes of the testing of war materials. The Commonwealth Government's Department of Defence (**DOD**) effectively controls access to the WPA for mining and exploration purposes. The DOD's decision to grant access in any given case will usually turn on safety and national security considerations. The Challenger mine's location within the WPA creates various risks for Dominion.

Dominion is a party to various land access agreements with the Commonwealth Government in relation to Dominion's presence in the WPA. One access agreement governs Dominion's access to the Challenger mine. This access agreement confers upon Dominion the right to carry on extractive activities until 2011, with an option to extend the agreement until 2021 at Dominion's sole discretion.

Other agreements govern Dominion's access to certain exploration tenements elsewhere in the WPA. Under these agreements, Dominion has provided certain undertakings to the Commonwealth Government, including:

- waiving any claims for compensation against the Commonwealth Government where loss or damage to Dominion results from the DOD's lawful activities in the WPA;
- indemnifying the Commonwealth Government for damage caused by Dominion in the WPA; and
- obeying orders from the DOD to evacuate the WPA or to remain within a part of the WPA or to observe radio silence.

Complying with these undertakings may lead to a disruption of operations at the Challenger mine and the suffering of financial loss. There is no certainty that the Commonwealth Government will renew any land access agreements with Dominion going forward, or grant access to new exploration tenements within the WPA. There is also no guarantee that the Commonwealth Government will not seek to terminate the land access agreements, although there are only limited circumstances when it is contractually entitled to do so. Dominion's failure to obtain or renew land access agreements

in the WPA could have a materially adverse effect on Dominion's financial performance going forward.

Dominion currently has a number of exploration licences in relation to areas within the WPA. Many of these licences relate to areas surrounding the Challenger mine. Going forward, the Kingsgate Group may explore these areas for new gold ore bodies that are suitable for development into new gold projects (subject to existing joint venture arrangements that Dominion has entered into). However, given the Commonwealth Government's sensitivities to safety and national security, it may be more difficult than might normally be the case to obtain a mining permit in relation to those new areas. In particular, it is likely that the DOD would first wish to undertake a detailed assessment of the proposed mining activity to determine whether it had any safety or national security concerns. Such an assessment may take months or even years and there is no certainty that a mining permit would be approved at the end of the process.

The DOD's testing of war materials in the WPA creates some risk of accidental damage to the Challenger mine and the exploration tenements for which Dominion currently has a licence, or for which the Kingsgate Group might obtain a licence in future. Such an accident could lead to structural damage to the Challenger mine and its infrastructure and other exploration tenements. Any accident of this sort could lead to operations in the WPA being suspended or terminated and this would have a material adverse impact on the operations and financial performance of the Kingsgate Group.

Personnel

Underground mining involves highly technical skills and requires particular expertise. Dominion has personnel with such skills and expertise working at the Challenger mine. There is a risk that Kingsgate will not be able to retain those personnel (or other key members of the Dominion workforce) following the implementation of the Dominion Schemes. This may have an adverse impact on both the integration of the businesses and the longer term performance of the Kingsgate Group.

**Exploration
tenements and
mining leases**

All mineral resources in Australia are owned by a State Government or the Commonwealth Government. Mineral exploration and mining activities may only be conducted by companies which have obtained exploration or mining licences. Dominion currently operates the Challenger mine pursuant to a mining licence granted by the State of South Australia. Dominion's exploration licences were similarly granted by the State of South Australia. There is no certainty that the Challenger mining licence or exploration licences will be renewed in the future, or that mining licences will be granted in respect of exploration areas which might contain

gold ore bodies. There is also no guarantee that, if such licences are granted, they will be granted in a timely manner or that Dominion will be in a position to comply with all of the conditions which are imposed.

The terms of certain of Dominion's exploration tenements oblige Dominion to commit a certain level of expenditure within a prescribed timeframe. Some of Dominion's exploration tenements have been under-expended to date. These tenements may therefore be subject to forfeiture according to their terms and the Kingsgate Group may thereby lose the right to explore these tenements. It is Kingsgate's view that none of these exploration tenements is material to the operations of the Kingsgate Group.

Production and operating risks

The Challenger mine is an underground mine (as opposed to an open pit mine). Underground mining carries a particular degree of risks. Various production and operational factors could affect the success of operations at the Challenger mine going forward, including mine collapses, unanticipated mining or geological conditions, climatic conditions, equipment failures, transport interruptions and cost overruns. These factors would affect the financial performance of the Challenger mine and so affect the performance of the Kingsgate Group.

Native title

Dominion's mining and exploration tenements and other entitlements to property and minerals may be affected by native title claims, unregistered agreements, transfers or unknown defects in title. Native title claims and Aboriginal heritage issues may have a material adverse impact on the Kingsgate Group's activities and may hinder or prevent its mining and exploration activities.

Royalties

Dominion must pay royalties, including a royalty equal to 3.5% of Challenger-related revenue to the South Australian Government and a fixed production royalty of \$4 per ounce to local indigenous groups. There is no certainty that the royalty payable to the South Australian Government will not increase in the future, or that additional royalties will not be levied against Dominion. Such royalties may adversely affect the Kingsgate Group's financial performance.

Mining taxes

It is possible that the operations of Dominion will in future be subject to some form of mining tax (in addition to the regulatory costs and taxes to which Dominion is already subject).

On 2 May 2010 the Commonwealth Government proposed a number of changes to the Australian taxation system, including changes which sought to impose additional taxes on the Australian mining industry. This was to be implemented

through the introduction of a 40% Resource Super Profits Tax (RSPT) on Australian resource projects. It is likely that the RSPT would have applied to Dominion. The RSPT would not have applied to Kingsgate given that Kingsgate has no Australian projects.

The Commonwealth Government announced on 2 July 2010 that it proposed to replace the proposed RSPT with a Minerals Resource Rent Tax (MRRT), and that it would only apply to Australian iron ore and coal projects. As such, the MRRT would not apply to any of Dominion's or Kingsgate's existing or proposed operations.

However, there is no certainty that the Commonwealth Government will not apply the MRRT (or a similar tax) to gold projects in the future. Any such tax would be likely to have an adverse financial effect on the Kingsgate Group's financial performance.

9.4. General operational and mining risks

This Section 9.4 sets out operational and mining risks which are common to Kingsgate and Dominion (and to most mining companies). Laguna is also subject to many of these sorts of risks.

Dependency on mining specialists and senior management

The businesses of Kingsgate and Dominion are highly dependent on qualified geologists, mining engineers and other mining specialists. Only a limited number of skilled mining specialists with adequate qualifications and experience are available, and there is an increasing demand for such qualified personnel as more international companies invest in mining industries. Personnel with underground mining skills will be particularly important to the Kingsgate Group, as described in Section 9.3 of this Bidder's Statement. The loss or diminution of the services of any mining specialists and/or members of senior management team or an inability to attract or retain similar personnel could have a material adverse effect on the Kingsgate Group's business, financial condition, results of operations or prospects.

General mining risks

Kingsgate and Dominion, like other mining companies, are subject to all of the hazards and risks normally associated with the exploration, development and production of natural resources from open pit or underground mining. These hazards can be difficult to predict and are often affected by factors outside of the control of Kingsgate and Dominion. These factors include, but are not limited to:

- environmental hazards;
- industrial accidents;
- electricity stoppages;

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- equipment failures and mechanical breakdowns;
 - labour disputes;
 - fires;
 - accidents associated with the use of explosives and chemical hazardous substances;
 - accidents associated with the operation of transportation equipment;
 - failure of mining pit slopes and tailings dam walls; and
 - other natural phenomena, such as floods or inclement weather conditions.

The occurrence of any of these or similar factors could delay production, increase production costs and result in injury or death to persons and damage to property and environment, as well as associated liability for the Kingsgate Group. The liability resulting from any of these risks may not be adequately covered by insurance, and there is no certainty that the Kingsgate Group will be able to obtain additional insurance coverage at reasonable rates. The Kingsgate Group may therefore incur significant costs which could have a material adverse effect on the Kingsgate Group's business, financial condition, results of operations and prospects.

Exploration risk

Gold exploration is highly speculative in nature, involves many risks and frequently is not productive. There can be no assurance that the Kingsgate Group's gold exploration efforts will be successful. Success in increasing mineral reserves is a result of a number of factors, including the quality of the Kingsgate Group's management and its level of geological and technical expertise, the quality of land available for exploration and other factors. Once gold mineralisation is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the Kingsgate Group's exploration programs will result in the expansion or replacement of current mineral reserves with new mineral reserves.

Financing costs

The net funds of the Kingsgate Group may not be sufficient for expenditure that may be required to expand its operations or projects or for other capital expenditure, further exploration or feasibility studies or otherwise in connection with the Kingsgate Group's operations. The Kingsgate Group may need to raise additional debt or equity funds in the future. There is

no assurance that the Kingsgate Group will be able to obtain additional debt or equity funding when required in the future, or that the terms associated with such funding will be acceptable to the Kingsgate Group. This is particularly so as recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have generally impeded access to capital or have increased the cost of capital. This may have an adverse effect on the Kingsgate Group's financial results and operations as well as its acquisition strategy.

Dangerous substances

Operating the Chatree and Challenger mines involves the handling and storage of explosive, toxic and other dangerous substances including cyanide and other pollutants, which may result in environmental restoration expenses being incurred and liabilities to persons.

More stringent laws, regulations and policies may be implemented by relevant authorities and there is no certainty that the Kingsgate Group will be able to comply with any future laws, regulations and policies in relation to the handling of dangerous substances. In addition, there is no certainty that accidents arising from the mishandling of dangerous substances will not occur in the future. Should the Kingsgate Group or its contractors fail to comply with any relevant laws, regulations and policies or should any accident occur as a result of the mishandling of dangerous substances, the Kingsgate Group's business, financial condition, results of operations and prospect may be materially and adversely affected.

Mine closure costs

Mining operations (including those at the Chatree and Challenger mines) have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

The key risks for mine closure are:

- the long-term management of permanent engineered structures;
- the achievement of environmental closure standards; and
- the orderly retrenchment of employees and contractors.

The successful completion of these tasks is dependent on an ability to successfully implement negotiated agreements with the relevant local government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental

impact and damage to corporate reputation if desired outcomes cannot be achieved.

Insurance

Much of the operating assets of Kingsgate and Dominion are insured. However, the relevant insurance coverage may be insufficient to cover replacement costs in the event of loss.

Kingsgate and Dominion also carry limited insurance coverage for material damages, business interruption and third party personal injury and property damage claims arising from operations. Accordingly, uninsured losses of production assets may be incurred and may be subject to claims not covered, or not sufficiently covered, by insurance, which could have a material adverse effect on the Kingsgate Group's business, financial condition, results of operations and prospects.

Weather conditions

Severe weather conditions may require the Kingsgate Group to curtail operations and may result in damage to the relevant project site, to equipment or to facilities, or to contractors' equipment, which could result in the temporary suspension of operations or generally reduce productivity. During periods of curtailed activity due to adverse weather conditions, operating expenses may continue to be incurred while production is slowed down or is stopped altogether. Any damages to projects or delays its operations caused by severe weather could materially and adversely affect the Kingsgate Group's business and results of operations.

Competition

The Kingsgate Group will be subject to competition from other gold miners. Competitors include current miners and future entrants into the market. Other companies have competitive advantages such as new technology and new production processes. Others have greater financial resources and operational experience than Kingsgate and Dominion. The Kingsgate Group may be unable to successfully compete and may suffer material adverse consequences.

Employee relations

The Kingsgate Group will be dependent on its workforce to extract and process minerals. Kingsgate and Dominion have programs to recruit and train the necessary personnel for their operations and each endeavours to maintain good relations with their workforces to minimise the possibility of strikes, lockouts and other stoppages. A prolonged labour disruption at any of the Kingsgate Group's projects may have a material adverse impact on the Kingsgate Group's operations and financial performance.

Mineral title risk

Kingsgate and Dominion have investigated title to all of their material mineral properties and, to the best of their knowledge, title to all such properties is in good standing. Nonetheless, it is possible that those properties may be subject to prior unregistered agreements or transfers, and title may be affected

by undetected defects. There may be valid challenges to the title of the Kingsgate Group's properties which, if successful, could impair development and operations and affect the Kingsgate Group's financial position (by a reduction to its land assets). As described in Section 2.4(c) of this Bidder's Statement, there are various circumstances in which Kingsgate's title to properties owned by Akara might be challenged. There can be no certainty that title to the properties of the Kingsgate Group will not be challenged.

Litigation

The Kingsgate Group may be subject to litigation and other claims, with and without merit, based on the conduct of Kingsgate and Dominion prior to implementation of the Dominion Schemes and the conduct of the Kingsgate Group following implementation. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular litigation will not have a material adverse effect on the Kingsgate Group's future cash flow or financial condition.

Kingsgate and Dominion are not aware of any current litigation affecting them, other than the litigation described in Section 9.2 of this Bidder's Statement.

Health and safety

The businesses of Kingsgate and Dominion are subject to strict health and safety laws and regulations. The Kingsgate Group may become liable for past and current conduct of Kingsgate and Dominion which violates such laws and regulations. Penalties for breaching health and safety laws can be significant and include criminal penalties. Victims of workplace accidents may also commence civil proceedings against the Kingsgate Group. These events might not be insured by the Kingsgate Group or may not be insurable. In addition, any changes in health and safety laws and regulations may increase compliance costs for the Kingsgate Group. Such an event would negatively impact the financial results of the Kingsgate Group.

Supply of utilities and spare parts

The operations of Kingsgate and Dominion require constant access to various utilities (including electricity, diesel fuel and water), spare parts (particularly vehicle and mining machinery parts) and auxiliary materials (including explosives, oxygen, grinding media, lime, sodium cyanide, sodium metabisulphite and active carbon).

There is no certainty that these utilities, as well as other utilities which the Kingsgate Group may come to need for its operations, will continue to be available, or easily available, to the Kingsgate Group. For example, electricity supplies could be interrupted by issues at the electricity plant or increases in electricity prices. The supply of diesel fuel, particularly in

Thailand, may be more difficult to source, or source at relatively low prices. There is also no certainty that supplies of auxiliary materials, equipment or spare parts will not be interrupted or that their prices will not increase in the future.

In the event that the existing suppliers to Kingsgate and Dominion cease to supply them with, or there are fluctuations in the prices of, utilities, auxiliary materials or spare parts, the Kingsgate Group's operations may be adversely affected.

Reliance on contractors

Much of the exploration, mining and mine construction work of Kingsgate and Dominion is subcontracted. Such arrangements with contractors carry with them risks including that the contractors may take actions contrary to instructions or requests, be unable or unwilling to fulfil their obligations, or have economic or other interests or goals that are inconsistent with those of Kingsgate or Dominion. The operations of Kingsgate and Dominion can be affected by the performance of their contractors. If any contractor fails to perform their tasks or if Kingsgate or Dominion fails to maintain a long-term and stable working relationship with that contractor and is unable to find suitable alternative suppliers, the Kingsgate Group's business, financial condition, results of operations and prospect may be adversely affected.

9.5. Risks affecting the financial performance of the Kingsgate Group (as the Triple Combined Entity or otherwise)

This Section 9.5 sets out the risks which may affect the financial performance of the Kingsgate Group. If financial performance is affected, the Kingsgate Group's ability to pay dividends and the value of Kingsgate Shares may also be affected.

Gold price volatility

Kingsgate and Dominion are gold miners. Kingsgate's and Dominion's earnings are significantly affected by the price of gold. The earnings of the Kingsgate Group will therefore also be significantly affected by the price of gold.

The gold market is sensitive to changes in general economic conditions and may be subject to significant volatility. As a result, it is not possible to forecast the gold price. The gold price is influenced by various factors, many of which are not within the control of Kingsgate or Dominion, including but not limited to:

- global and regional economic and political conditions;
- global supply and demand and expectations of future supply and demand;
- speculative trading;
- actual or expected purchase or release of built-up reserves of gold by central banks or other large holders or dealers, as well as purchases under hedging

contracts;

- changes in the use of gold in industrial applications or as an investment;
- fluctuations in the demand for jewellery;
- military conflicts and acts of terrorism;
- currency exchange rates, particularly movements in the value of the U.S. dollar against other currencies; and
- actual or expected inflation and interest rates.

Significant sustained declines in the price of gold may render less economical, or uneconomical, any of the gold extraction and/or exploration activities to be undertaken by Kingsgate and Dominion and may have a material adverse effect on the Kingsgate Group's business, financial condition, results of operations and prospects.

Hedging risk

Hedging activities are intended to protect a company from fluctuations in the price of gold and to minimise the effect of declines in the gold price on results of operations for a period of time. Although hedging activities may protect a company against a low gold price, they may also limit the price that can be realised on gold that is subject to forward sales and call options where the market price of gold exceeds the gold price in a forward sale or call option contract.

As described in Section 2.3(d) of this Bidder's Statement, the Kingsgate Group does not intend to engage in any new hedging commitments. However, the Kingsgate Group will honour Dominion's existing hedging arrangements. Those existing arrangements may limit the price that can be realised on Dominion's gold, to the extent that gold is hedged.

It is possible that the Kingsgate Group may decide to use debt financing to fund its activities in the future, which may require the Kingsgate Group to enter into hedging commitments. Should this occur, it is Kingsgate's intention that any hedging arrangements will be structured in such a manner as to protect the Kingsgate Group from any adverse movement in the gold price, whilst allowing it to retain exposure to any upwards movement (for example, through the purchase of put options over the gold price).

Gold resource and reserves estimates

Like all mining companies, Kingsgate and Dominion depend upon their resource and reserve. The gold resource and reserve estimates of the Chatree and Challenger mines are based on a number of assumptions that have been made by Competent Persons in accordance with the JORC Code. Resource and reserve estimates involve expressions of judgement based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by

many factors, including quality of the results of exploration drilling and sampling of the ore body and analysis of the ore samples, as well as the procedures adopted by and experience of the person making the estimates. There is no certainty that the Kingsgate Group's resource and reserve estimates will be recovered in the stated quantities, qualities or yields.

Estimates of the resource and reserve at the Chatree and Challenger mines may change significantly when new information becomes available or new factors arise, and interpretations and conclusions on which resource and reserve estimates are based may prove to be inaccurate. Resource estimates indicate in situ mineral occurrences from which gold may be recovered, but do not take into account whether such resource could be mined or whether gold could be recovered economically from them, nor do resource estimates incorporate mining dilution or allow for mining losses. The reserve estimates of Kingsgate and Dominion represent the amount of gold that Kingsgate and Dominion believe can be profitably mined and processed and are calculated based on estimates of future production costs and gold prices. In the future, Kingsgate may need to revise the reserve estimates of the Chatree and Challenger mines, for instance, the extraction of a portion (or all) of the gold reserve at the mines becomes uneconomical as a result of increases in production costs or decreases in gold prices.

Exchange rates	Kingsgate's operating costs are substantially denominated in Thai Baht and Dominion's are substantially denominated in Australian dollars. The revenue of both companies is denominated in US dollars. Therefore if the US dollar weakens relative to the Baht or the Australian dollar, the Kingsgate Group's financial results could be materially and adversely affected.
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9.6. Risks relating to holding Kingsgate Shares

There are certain risks to holding Kingsgate Shares. In general, these risks do not differ from the risks associated with holding shares in any Australian listed company, including Laguna.

Dilution	<p>Kingsgate may in the future wish to raise additional funds or enter into contracts where the consideration is the issue of Kingsgate Shares. If Kingsgate raises additional funds by issuing additional shares, or enters into contracts of this sort, the interest of existing Kingsgate Shareholders may be diluted.</p> <p>The issue of a substantial number of Kingsgate Shares, or the availability of such shares for sale, may adversely affect the prevailing market price for Kingsgate Shares. A decline in the market price of Kingsgate Shares could impair Kingsgate's ability to raise additional capital through the issue of securities</p>
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or enter into contracts of the sort described above.

Price and volume fluctuation

It is important to recognise that the value of shares in a listed company is subject to fluctuations in the share market, which can be precipitated by a wide range of factors.

If Kingsgate gains control of Laguna (within the meaning of s50AA of the Corporations Act), because the requisite number of Laguna Shareholders have accepted the Offer, then those Laguna Shareholders will receive a specified number of Kingsgate Shares, rather than a number of Kingsgate Shares with a specified market value, in exchange for the Laguna Shares they hold. As a result, the value of the consideration to be provided under the Offer will depend upon the market price of Kingsgate Shares.

Furthermore, under the Offer, Kingsgate may issue a significant number of Kingsgate Shares. Some Laguna Shareholders may not intend to continue to hold their Kingsgate Shares and may wish to sell them on the market. If such sales are substantial, supply of Kingsgate Shares may exceed demand which may place downward pressure on the market price of Kingsgate Shares. The market for Kingsgate Shares may be illiquid and volatile following implementation of the Offer, at least in the period shortly after Kingsgate Shares commence trading on the ASX.

Dividend policy

Kingsgate and Dominion have in recent times paid dividends to shareholders. Subject to applicable law, the board of directors of the Kingsgate Group will be responsible for determining whether it is appropriate to declare a dividend. The Kingsgate Group's dividend policy will be the same as Kingsgate's existing dividend policy, which is set out in Section 3.6 of this Bidder's Statement. However, there is no guarantee the Kingsgate Group will pay dividends or any particular level of dividends.

Australian and overseas economies

Kingsgate's share price may be affected by the condition of the Australian and overseas economies (including the aggregate investment being undertaken and economic output occurring in those economies, inflation and interest rates and the prices of products which are inputs used in the operations of the Kingsgate Group).

Investor sentiment and brokers

The price of Kingsgate Shares may be affected by investor sentiment, local and international stock market conditions, adverse industry publicity and recommendations by brokers and analysts.

9.7. Risks relating to the Dominion Schemes and integration risks

Dominion Shareholders and Optionholders should bear in mind that the Dominion Schemes themselves are subject to various risks. These risks are not ongoing and

should not affect the value of Kingsgate Shares once the Dominion Schemes are implemented. There may separately be risks associated with the integration of the Kingsgate and Dominion businesses.

Court delays	There is a risk that the Court may not approve the Dominion Schemes. There is also a risk that some or all of the aspects of the approvals required for the Dominion Schemes to be implemented may be delayed or may not be granted.
Quotation of Kingsgate Shares	Prior to the Second Court Date, Kingsgate will apply for the Kingsgate Shares to be issued under the Dominion Schemes to be quoted on the ASX. Quotation of the Kingsgate Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Kingsgate is already admitted to the Official List of the ASX and Kingsgate Shares in the same class as to those to be issued under the Dominion Schemes are already quoted, Kingsgate believes quotation of the Kingsgate Shares is likely to occur.
Sale Facility	There is no guarantee as to the price that will be achieved for the sale of Kingsgate Shares under the Sale Facility.
Transaction costs	<p>Kingsgate and Dominion will incur transaction and integration costs in connection with the Dominion Schemes.</p> <p>Both Kingsgate and Dominion will pay transaction fees and other expenses related to the Dominion Schemes, including financial advisers' fees, filing fees, legal and accounting fees, regulatory fees and mailing costs. It is difficult to predict the full extent of integration costs before the integration process begins.</p> <p>The Kingsgate Group may incur additional unanticipated costs as a consequence of difficulties arising from efforts to integrate the operations of the businesses.</p>
Due diligence and reliance on information	<p>Before executing the Implementation Agreement, Kingsgate and Dominion undertook due diligence on information about each other provided for the purpose of negotiating the Implementation Agreement. Such investigations were carried out in a limited timeframe. Kingsgate and Dominion are both satisfied that they have sufficient information to proceed with the Proposal.</p> <p>Whilst Kingsgate and Dominion decided to proceed with the Proposal, there is a risk that not all material information was provided by the other in the due diligence process. If this were the case, there may be other risks associated with the combination of Kingsgate and Dominion which are presently unknown. Additionally, there is a risk that the information provided may contain inaccuracies or have changed due to changes in the economy or other risk factors outside the control</p>

of either Kingsgate or Dominion.

After implementation of the Dominion Schemes, the Kingsgate Group will be subject to any unknown liabilities of either Kingsgate or Dominion which may have an adverse effect of the Kingsgate Group's performance and financial condition.

Controls and systems integration

The Dominion Schemes will lead to the combination of the businesses of Kingsgate and Dominion which have previously operated independently. The long term success of the Kingsgate Group will depend, in part, on the success of integrating the businesses and the strengths of management and operational structures which are implemented.

There will be costs and risks involved in the integration of the Kingsgate and Dominion businesses and the establishment of efficient management and operational structures. There is a risk that the integration of accounting, intellectual property and financial systems, human resources and other support functions and management systems, controls and processes may take longer or cost more than expected.

Change of control provisions

Upon implementation of the Dominion Schemes, a change of control in Dominion will occur. It is possible that material contracts to which Dominion is a party may be subject to pre-emptive, rights, review or termination upon this change of control. While Kingsgate is not aware of any counterparty that may wish to terminate a material contract, should any such contracts be terminated, the Kingsgate Group would lose the benefit of the contract and may be unable to obtain similarly terms upon entry into replacement contracts (should such replacement contracts be available).

Accounting

Kingsgate will be required to perform a fair value assessment of all of Dominion's assets and liabilities if the Dominion Schemes are implemented. This assessment may result in increased depreciation and amortisation charges. There is a risk that these charges may be substantially greater than those that would exist in Kingsgate and Dominion as separate businesses. This may reduce the future earnings of the Kingsgate Group. See Section 8.5 of this Bidder's Statement for further information.

10. TAXATION CONSIDERATIONS

10.1. Introduction

This section provides a general statement of the Australian income tax, GST and stamp duty consequences for Laguna shareholders that hold their Laguna Shares on capital account (ie they do not hold them in connection with a business or otherwise on revenue account) and dispose of them to Kingsgate pursuant to the Offer.

The statement provided in this section is necessarily general in nature. It does not take into account the specific circumstances of any Laguna shareholder. In particular, it does not take into account the circumstances of Laguna shareholders that hold their Laguna Shares on revenue account or acquired them in respect of any employment or the provision of any services. Nor does this section address the non-Australian tax consequences for Laguna shareholders that are non-residents of Australia.

Laguna shareholders are advised to obtain professional tax advice that takes into account their specific circumstances before deciding whether to accept the Offer.

10.2. Income tax considerations for Australian resident Laguna shareholders

Paragraphs (a) – (h) of this Section 10.2 provide a general statement of the Australian income tax considerations for Australian resident Laguna shareholders that dispose of their Laguna Shares to Kingsgate pursuant to the Offer.

(a) Capital gain or loss

For an Australian resident Laguna shareholder, the disposal of Laguna Shares pursuant to the Offer will be a CGT event.

If the Laguna Share was acquired for tax purposes before 20 September 1985 (referred to as *pre-CGT Laguna shares*), any capital gain or loss is disregarded.

If the Laguna Share was acquired for tax purposes after 20 September 1985, subject to the possible CGT roll-over relief outlined in paragraph (e) below, such a Laguna shareholder will make either:

- a capital gain to the extent the capital proceeds from the disposal of the Laguna Shares are greater than the cost base of the Laguna Shares; or
- a capital loss to the extent the capital proceeds from the disposal of the Laguna Shares are less than the reduced cost base of the Laguna Shares.

A Laguna shareholder must include a net capital gain in assessable income for the income year in which the Offer is accepted. It is expected that, for most Laguna shareholders, the Offer will be accepted in the year ending 30 June 2011.

A Laguna shareholder may generally carry forward a net capital loss to offset capital gains made in a later income year, subject to the satisfaction of any necessary tax loss recoupment tests.

(b) Capital proceeds

For the purposes of working out the capital gain or loss on the disposal of Laguna Shares, the capital proceeds will be the market value of the Kingsgate Shares to be received on the date the Offer is accepted.

(c) Cost base

The cost base of the Laguna Shares for the purpose of working out a capital gain on disposal will generally include the money paid to acquire the Laguna Shares plus any incidental costs of acquisition and disposal (e.g. brokerage and stamp duty). If the Laguna Shares were acquired before 21 September 1999, the cost base may also include indexation to take account of inflation up

to 30 September 1999. However, note that the cost base cannot include indexation where the CGT discount outlined in paragraph (d) below applies.

The reduced cost base of the Laguna Shares for the purpose of working out a capital loss on disposal will also generally include the money paid to acquire the Laguna Shares plus any incidental costs of acquisition and disposal. The reduced cost base will not include indexation for inflation.

(d) CGT discount

A Laguna shareholder that is an individual, a complying superannuation entity or a trust may be entitled to the CGT discount on the disposal of Laguna Shares that have been held for at least 12 months before the date the Offer is accepted.

The CGT discount reduces the capital gain otherwise assessable by:

- 50% in the case of an individual or trust; or
- 33⅓% in the case of a complying superannuation entity.

Note that the CGT discount only reduces the net capital gain remaining after any capital losses have been applied.

(e) CGT roll-over relief

If as a result of the Offer, Kingsgate owns 80% or more of the Laguna Shares, Laguna shareholders who would make an Australian capital gain from their disposal of Laguna Shares may elect a rollover under which that capital gain will be disregarded and effectively deferred until they dispose of any Kingsgate Shares which they acquire under the Offer. Kingsgate will advise Laguna shareholders if and when it acquires 80% of the voting shares in Laguna. If Kingsgate does not acquire 80% or more of Laguna Shares as a result of the Offer then the following paragraphs f) to h) will not be relevant.

In the event that Kingsgate owns 80% or more of the Laguna Shares as a result of the Offer, a Laguna shareholder that would otherwise make a capital gain on the disposal of Laguna Shares pursuant to the Offer may choose scrip for scrip CGT roll-over relief. CGT roll-over relief would not be available for disposals for pre-CGT Laguna shares.

Note that a Laguna shareholder that makes a capital loss on the disposal of Laguna Shares cannot choose CGT roll-over relief (ie the Laguna shareholders cannot defer making the capital loss).

(f) Consequences of choosing CGT roll-over relief

If a Laguna shareholder is eligible (as outlined above) and elects for CGT roll-over relief:

- the capital gain will be disregarded (ie taxation of the capital gain is effectively deferred until the Kingsgate Shares are disposed of); and
- the cost base of the Kingsgate Shares will include an amount equal to the cost base of the Laguna Shares for which they were exchanged.

(g) Choosing CGT roll-over relief

To choose CGT roll-over relief, a Laguna shareholder must make a choice before lodging an income tax return for the income year in which the Offer is accepted.

The way in which a Laguna shareholder prepares the income tax return is evidence of the choice (ie by excluding the disregarded capital gain from assessable income). There is no need to lodge a notice with the Australian Taxation Office.

(h) Whether to choose CGT roll-over relief

Whether or not a Laguna shareholder should choose CGT roll-over relief depends on the specific circumstances of the Laguna shareholder.

Circumstances relevant to the decision include the intentions of the Laguna shareholder in relation to the Kingsgate Shares received and the availability of tax losses to the Laguna shareholder.

Laguna shareholders are advised to obtain professional tax advice that takes into account their specific circumstances before deciding whether to choose CGT roll-over relief.

(i) Cost base of Kingsgate Shares received as part of the Offer

The cost base of the Kingsgate Shares will depend on whether the Laguna shareholder chose CGT roll-over relief in respect of Laguna Shares disposed of to Kingsgate pursuant to the Offer.

If the Laguna shareholder was either unable to elect for CGT roll-over relief or did not choose CGT roll-over relief in respect of the disposal of the Laguna Shares pursuant to the Offer, the cost base of the Kingsgate Shares will include an amount equal to the market value of the Kingsgate Shares to be received on the date the Offer is accepted. In this case, the Kingsgate Shares will be taken to have been acquired on the date the Offer is accepted. This will be relevant to the CGT discount requirements upon a subsequent disposal of Kingsgate Shares.

If the Laguna shareholder was able to choose CGT roll-over relief in respect of the disposal of the Laguna Shares and did so, the cost base of the Kingsgate Shares will include an amount equal to the cost base of the Laguna Shares which were exchanged. In this case, the Kingsgate Shares will be taken to have been acquired when the Laguna Shares were acquired. This will be relevant to the CGT discount requirements upon a subsequent disposal of Kingsgate Shares.

10.3. Income tax considerations for Laguna shareholders that are non-residents of Australia

This section provides a general statement of the Australian income tax consequences for Laguna shareholders that are non-residents of Australia and dispose of their Laguna Shares to Kingsgate pursuant to the Offer.

The statement provided does not address the consequences for Laguna shareholders that are non-residents of Australia and either:

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- (a) hold their Laguna Shares in connection with a business carried on through a permanent establishment in Australia or will hold their Kingsgate Shares in that way; or
 - (b) will hold the Laguna Shares in connection with a business carried on and are not in a country with which Australia has a double tax agreement which affords a business profits exemption (or similar).

Such Laguna shareholders are advised to obtain professional tax advice that takes into account their specific circumstances.

Capital gain or loss

A non-resident of Australia may disregard a capital gain or loss made on the disposal of shares in a company unless:

- the non-resident of Australia holds 10% or more of all the shares in the company:
 - at the time of the disposal; or
 - throughout a 12 month period during the 24 month period ending at the time of the disposal; and
- more than 50% of the underlying value of the company is attributable to taxable Australian real property (ie real property situated in Australia and mining, quarrying or prospecting rights where the minerals, petroleum or quarry materials are situated in Australia).

If these circumstances were to apply, such Laguna shareholders are advised to obtain professional tax advice that takes into account their specific circumstances.

10.4. GST considerations

A Laguna shareholder should not be liable to pay GST as a consequence of the Offer. However, a Laguna shareholder that is registered, or required to be registered, for GST may not be entitled to input tax credits in respect of any inputs to the supply of the Laguna Shares to Kingsgate pursuant to the Offer on the basis that the supply may constitute a GST-free supply. Laguna shareholders are advised to obtain professional tax advice in relation to their entitlement to any input tax credits which takes into account their specific circumstances.

10.5. Stamp duty considerations

A Laguna shareholder should not be liable to pay stamp duty as a consequence of the Offer.

11. OTHER MATERIAL INFORMATION

11.1. Bid Implementation Deed

On 25 October 2010, Kingsgate and Laguna entered into a Bid Implementation Deed. Under the terms of the BID:

- (a) Takeover Bid

Kingsgate agreed to make an off-market takeover offer to acquire all of the ordinary shares in Laguna (that it does not already hold) at an offer price of one Kingsgate Share for every 520 Laguna Shares (except for Laguna Shares which are partly paid).

The BID originally contemplated a conditional takeover bid. Kingsgate has since decided to make an unconditional takeover bid (that is, without the Defeating Conditions referred to in the BID).

- (b) Promotion of the Takeover Bid
 - (i) Laguna agreed to support the Takeover Bid in the absence of a superior proposal, and to the extent that the Laguna Board may do so without breaching its statutory or fiduciary duties. Laguna also agreed not to do (or omit to do) anything which will, or is likely to, result in any of the Defeating Conditions (as that term is defined) being breached.
 - (ii) Until the end of the Offer Period, Laguna has agreed to carry on its business in accordance with normal and prudent practice and in the ordinary course.
- (c) Exclusivity Undertakings
 - (i) Laguna has given customary exclusivity undertakings to Kingsgate under which for the term of the BID, Laguna must not and must ensure that its Representatives do not:
 - (A) directly or indirectly solicit, initiate or encourage any inquiries, proposals or discussions regarding any Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bid (whether from a person with whom Laguna has previously been in discussions or not);
 - (B) directly or indirectly participate in any discussions or negotiations regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Bid;
 - (C) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bid;
 - (D) approve or recommend a Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bid or announce an intention to do so; or
 - (E) disclose any information about the businesses or affairs of Laguna to a third party (other than a Government Agency or auditors) other than in the ordinary course of business or as required under Laguna's existing contractual obligations to the extent those obligations have been specifically disclosed by Laguna to Kingsgate and cannot be terminated by Laguna with a view to obtaining a Competing Proposal.
 - (ii) In addition, Laguna must immediately notify Kingsgate of any approach or attempt to initiate discussions or negotiations regarding a Competing Proposal prior to the end of the Offer Period.

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- (iii) The obligations in paragraphs 11.1(d)(i)(B) to 11.1(d)(i)(E) or 11.1(d)(ii) do not apply to the extent that:
- (A) they restrict Laguna or the Laguna Board from taking any action on respect of a bona fide Competing Proposal which was not encouraged, solicited, invited, facilitated or initiated by Laguna or any of its Representatives; or
 - (B) they require Laguna to provide the notification referred to in paragraph 11.1(c)(ii),
- provided in each case that the Laguna Board has determined in good faith and acting reasonably, that failing to respond to a Competing Proposal or providing the notification referred to in paragraph 11.1(c)(ii) (as applicable) would be likely to constitute a breach of the Laguna Directors' fiduciary or statutory obligations.

A copy of the BID is attached to the announcement of the Takeover Bid made by Kingsgate on 25 October 2010, and is available on its website (www.kingsgate.com.au).

11.2. Disclosure of interests and benefits

(a) Interested Person defined

For the purposes of Sections 11.2(b) and 11.2(c) an Interested Person is:

- (i) a Kingsgate Director or proposed director of Kingsgate;
- (ii) a person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with preparing or distributing this Bidder's Statement;
- (iii) a promoter of Kingsgate; or
- (iv) a broker or underwriter to the issue of Kingsgate Shares.

(b) Interests

Except as disclosed in this Bidder's Statement no Interested Person holds or held at any time during the two years before the date of this Bidder's Statement any interest in:

- (i) forming or promoting Kingsgate;
- (ii) property acquired or proposed to be acquired by Kingsgate in connection with:
 - (A) forming or promoting Kingsgate; or
 - (B) the offer of Kingsgate Shares; or
- (iii) the offer of Kingsgate Shares.

(c) Benefits

Except as disclosed in this Bidder's Statement no one has paid or agreed to pay fees or given or agreed to give any benefit to:

- (i) a Kingsgate Director or proposed director of Kingsgate to induce that person to become or qualify as a Kingsgate Director; or

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- (ii) any Interested Person for services provided by that person in connection with:
 - (A) forming or promoting Kingsgate; or
 - (B) the offer of Kingsgate Shares under the Takeover Bid.

11.3. Consents

Greenwich Transaction Services Pty Ltd (trading as “Greenwich Legal”) has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Kingsgate's Australian legal adviser in the form and context it is so named. Greenwich Transaction Services Pty Ltd takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

PricewaterhouseCoopers has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Kingsgate's accounting and taxation advisor, in the form and context it is so named. PricewaterhouseCoopers takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Security Transfer Registrars has given and, not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Share Registrar in the form and context in which it is named. Security Transfer Registrars has had no involvement in the preparation of any part of this Bidder's Statement other than being named as Share Registrar to Kingsgate. Security Transfer Registrars has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Bidder's Statement.

Each of Ron James, Fiona Davidson, Guy Davies and Suphanit Suphananthi, has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, his written consent to the inclusion in this Bidder's Statement of all statements made by him or attributed to or derived from those statements in the form and context in which they are included in Section 2.5(d).

Dominion Mining Limited and its associated persons consent to the inclusion in this Bidder's Statement of all statements by Dominion Mining Limited (or its associated persons), and all statements said in this Bidder's Statement to be based on a statement by Dominion Mining Limited (or its associated persons), in the form and context in which those statements are included, except statements made in documents already lodged with ASIC or ASX Company Announcements.

This Bidder's Statement includes or is accompanied by statements which are made in or based on statements made in documents lodged with ASIC or on the company announcement platform of ASX, including by Dominion or Laguna. Under the terms of ASIC class order 01/1543, the parties making those statements are not required to consent to, and have not consented to, those statements being included in this Bidder's Statement. If you would like to receive a copy of any of these documents please contact Peter Warren, the Company Secretary on +61 2 8256 4800 and you will be sent copies free of charge.

As permitted by ASIC Class Order 07/429 this Bidder's Statement contains share price trading data sourced from IRESS without its consent.

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

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- fairly representing a statement by an official person; or
 - from a public official document or a published book, journal or comparable publication.

11.4. Disclosure of fees and benefits received by Interested Persons

Greenwich Transaction Services Pty Ltd has acted as legal advisor to Kingsgate in relation to the Takeover Bid. As at the date of this Bidder's Statement, Kingsgate has paid or agreed to pay Greenwich Transaction Services Pty Ltd approximately \$200,000 for its services.

PricewaterhouseCoopers has acted as accounting and taxation advisor to Kingsgate in relation to the Takeover Bid. As at the date of this Bidder's Statement, Kingsgate has paid or agreed to pay PricewaterhouseCoopers approximately \$10,000 for its services.

11.5. No other material information

Except as set out in this Bidder's Statement, there is no information material to the making of a decision by an offeree whether or not to accept the Offer, being information that is known to Kingsgate and has not previously been disclosed to the holders of Laguna Shares.

11.6. Registered office

The registered office of Kingsgate is Level 8, 14 Martin Place, Sydney, New South Wales 2000.

11.7. Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

12. THE OFFER TERMS

12.1. The Offer

(a) Offer for your Laguna Shares

Kingsgate offers to acquire all of your Laguna Shares on the terms set out in this Offer.

This Offer extends to all Laguna Shares that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, Convertible Securities.

(b) Offer includes Rights

If Kingsgate acquires your Laguna Shares under this Offer, Kingsgate is also entitled to any Rights attached to those Laguna Shares.

(c) Consideration

Kingsgate offers 1 Kingsgate Share for every 520 of your Laguna Shares. However, if your Laguna Shares are Laguna Partly Paid Shares, then Kingsgate offers 1 Kingsgate Share for:

- (i) every 70,000 Laguna Partly Paid Shares that are paid up to \$2.50 (with \$10.00 unpaid); and

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- (ii) every 16,431 Laguna Partly Paid Shares that are paid up to \$10.154 (with \$2.346 unpaid).

12.2. Foreign Ineligible Shareholders

If you are a Foreign Ineligible Shareholder then despite any other provision of this Offer, you are offered and will receive for your Laguna Shares a cash amount calculated under Section 12.15.

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of this Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer.

12.3. Rounding of Kingsgate Shares

If you become entitled to a fraction of a Kingsgate Share under this Offer, the number of Kingsgate Shares you are entitled to will be rounded up to the nearest whole number (if the fraction is 0.5 or greater) or rounded down to the nearest whole number (if the fraction is less than 0.5).

12.4. Ranking of Kingsgate Shares

The Kingsgate Shares issued under the Offer will be issued fully paid and will rank equally for dividends and other rights with existing Kingsgate Shares, from the date of allotment.

12.5. ASX and listing of Kingsgate Shares

Kingsgate will apply for official quotation of the Kingsgate Shares on the ASX. Quotation on ASX will not be automatic but will depend on ASX exercising its discretion. Kingsgate has already been admitted to the official list of the ASX. Shares in Kingsgate of the same class as those to be issued under this Offer are already quoted on the ASX. Kingsgate cannot guarantee, and does not represent or imply, that the Kingsgate Shares will be quoted on the ASX.

12.6. Offer Period

Unless withdrawn or extended under Section 12, this Offer is open during the period that begins on the date of this Offer, being 2 December 2010, and ends at 5.00pm WST on 11 January 2011.

If, within the last 7 days of the Offer Period:

- (a) Kingsgate varies the Offers to improve the consideration offered;
 - (b) the consideration is taken to be increased under section 651A(2) of the Corporations Act because Kingsgate purchases Laguna Shares outside the Takeover Bid for a cash price; or
 - (c) Kingsgate's voting power in Laguna increases to more than 50%,
- section 624(2) of the Corporations Act will apply to extend the Offer Period so that it ends 14 days after that event.

12.7. How to accept this Offer

- (a) Accept for all your Laguna Shares

You can only accept this Offer during the Offer Period for all your Laguna Shares. You will be taken to have accepted the Offer for all your Laguna

Shares plus any additional Laguna Shares registered as held by you at the date your acceptance is processed (despite any difference between that number and the number of Laguna Shares specified when you accept this Offer).

(b) CHES Holdings

If your Laguna Shares are in a CHES Holding, you must comply with the ASX Settlement Rules. To accept this Offer in accordance with those rules, you must:

- (i) **instruct** your Controlling Participant to initiate acceptance of this Offer under rule 14.14 of the ASX Settlement Rules; or
- (ii) if you are a Participant, yourself initiate acceptance under that rule; or
- (iii) if you are not a Participant:
 - (A) **complete and sign** the Acceptance Form in accordance with the instructions on it; and
 - (B) **return** the Acceptance Form together with all other documents required by the instructions on it to the address specified on the form. This will authorise Kingsgate to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf. For return of the Acceptance Form to be an effective acceptance of the Offer, you must ensure it is received by Kingsgate in time for Kingsgate to give instructions to your Controlling Participant, and your Controlling Participant to carry out those instructions, before the end of the Offer Period. The Acceptance Form will also authorise Kingsgate to effect your acceptance in accordance with rule 14.4.7 of the ASX Settlement Rules by communicating directly with ASX Settlement.

(c) Issuer Sponsored Holdings and other holdings

If your Laguna Shares are held on Laguna's issuer sponsored sub-register, or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of, or are otherwise able to give good title to, your Laguna Shares, to accept this Offer you must:

- (i) **complete and sign** the Acceptance Form in accordance with the instructions on it; and
- (ii) **return** the Acceptance Form together with all other documents required by the instructions on it to the address specified on the form so that they are received before the end of the Offer Period.

12.8. Effect of Acceptance Form

By completing, signing and returning the Acceptance Form in accordance with Section 12.7(b) or Section 12.7(c) as applicable, you:

- (a) authorise Kingsgate and each of its officers and agents to correct any errors in, or omissions from, the Acceptance Form necessary to:

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- (i) make it an effective acceptance of this Offer for your Laguna Shares which are not in a CHESS Holding; and
 - (ii) enable the transfer of your Laguna Shares to Kingsgate; and
 - (b) if any of your Laguna Shares are in a CHESS Holding, authorise Kingsgate and each of its officers and agents to:
 - (i) instruct your Controlling Participant to initiate your acceptance of this Offer for those Laguna Shares under rule 14.14 of the ASX Settlement Rules or to effect your acceptance in accordance with rule 14.4.7 of the ASX Settlement Rules by communicating directly with ASX Settlement; and
 - (ii) give to your Controlling Participant on your behalf any other instructions in relation to those Laguna Shares which are contemplated by the sponsorship agreement between you and your Controlling Participant and are necessary or appropriate to facilitate your acceptance of this Offer.

12.9. Your agreement

By carrying out the instructions in Section 12.7 on how to accept this Offer:

- (a) you accept this Offer;
- (b) except for any Laguna Partly Paid Shares, you represent and warrant to Kingsgate that all your Laguna Shares will at the time of your acceptance of this Offer and of transfer to Kingsgate be fully paid up and that Kingsgate will acquire good title to and beneficial ownership of them free from Encumbrances;
- (c) in respect of any Laguna Partly Paid Shares, you represent and warrant to Kingsgate that all your Laguna Partly Paid Shares will at the time of your acceptance of this Offer and of transfer to Kingsgate be paid up in respect of all amounts which at the time of acceptance have fallen due for payment to Laguna and that Kingsgate will acquire good title to and beneficial ownership of them free from Encumbrances
- (d) you represent and warrant that you are not a Foreign Ineligible Shareholder, unless otherwise indicated on the Acceptance Form, and acknowledge and agree that if you are a Foreign Ineligible Shareholder, or Kingsgate believes you are a Foreign Ineligible Shareholder, Section 12.15 applies to you;
- (e) you transfer, or consent to the transfer in accordance with the ASX Settlement Rules of, your Laguna Shares to Kingsgate subject to the conditions of the constitution of Laguna on which they were held immediately before your acceptance of this Offer (and Kingsgate agrees to take those Laguna Shares subject to those conditions);
- (f) when the contract resulting from your acceptance of this Offer comes into effect (even though Kingsgate has not yet paid or provided the consideration due to you), you irrevocably appoint Kingsgate and each director of, and any nominee of, Kingsgate as your attorney to:
 - (i) attend and vote in respect of your Laguna Shares at all general and class meetings of Laguna; and

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- (ii) execute all forms, notices, documents (including a document appointing a Kingsgate Director as a proxy for any of your Laguna Shares) and resolutions relating to your Laguna Shares and generally to exercise all powers and rights which you have as the registered holder of your Laguna Shares;
 - (g) you agree that in exercising the powers conferred by the power of attorney in Section 12.9(f), Kingsgate and each of the Kingsgate Directors and its nominee is entitled to act in the interest of Kingsgate;
 - (h) when the contract resulting from your acceptance of this Offer comes into effect (even though Kingsgate has not yet paid or provided the consideration due to you), you agree not to attend or vote in person at any general meeting of Laguna or to exercise, or to purport to exercise, (in person, by proxy or otherwise) any of the powers conferred on the Kingsgate Directors by Section 12.9(f);
 - (i) when the contract resulting from your acceptance of this Offer comes into effect (even though Kingsgate has not yet paid or provided the consideration due to you), you authorise Kingsgate to transmit a message to ASX Settlement in accordance with rule 14.17.1 of the ASX Settlement Rules so as to complete the transfer of those of your Laguna Shares which are in a CHES Holding to Kingsgate's Takeover Transferee Holding; and
 - (j) (unless Section 12.15 or Section 12.16 applies to you), you:
 - (i) agree to accept the Kingsgate Shares to which you become entitled by accepting this Offer subject to the constitution of Kingsgate and authorise Kingsgate to place your name on its register of members for those Kingsgate Shares; and
 - (ii) instruct Kingsgate to issue the Kingsgate Shares to which you became entitled by accepting this Offer, if your Laguna Shares are in a CHES Holding, under the same holder identification number as applies to your Laguna Shares; and if your Laguna Shares are held on Laguna's issuer sponsored sub-register, on Kingsgate's issuer sponsored sub-register.

12.10. Powers of attorney

If the Acceptance Form is signed under power of attorney, the attorney declares that the attorney has no notice of revocation of the power and is empowered to delegate powers under the power of attorney under Section 12.8 and paragraphs (f) and (j) of Section 12.9.

12.11. Validation of otherwise ineffective acceptances

Except for Laguna Shares in a CHES Holding, Kingsgate may treat the receipt by it of a signed Acceptance Form as a valid acceptance of this Offer even though it does not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other requirements for acceptance. If Kingsgate does treat such an Acceptance Form as valid, subject to Section 12.12, Kingsgate will not be obliged to pay or provide the consideration to you until Kingsgate receives all those documents and all of the requirements for acceptance referred to in Section 12.7(c) and in the Acceptance Form have been met.

12.12. Payment or provision of consideration

- (a) When you will be paid or provided with your consideration

Subject to this Section 12.12 and the Corporations Act, if you accept this Offer Kingsgate will pay or provide you with the consideration for your Laguna Shares to which Kingsgate acquires good title on or before the earlier of:

- (i) the day 1 month after you accept this Offer; and
- (ii) the day 21 days after the end of the Offer Period.

Within these deadlines, subject to the processing of the transfer forms by Laguna's share registry, Kingsgate will issue and allot the Kingsgate Shares to those persons who accept the Offer, daily during the first week that the Offer is open, to persons who accept by 3.00pm WST the day before.

- (b) Acceptance Form requires additional documents

Where documents are required to be given to Kingsgate with your acceptance to enable Kingsgate to become the holder of your Laguna Shares (such as a power of attorney):

- (i) if the documents are given with your acceptance, Kingsgate will pay or provide you with your consideration in accordance with Section 12.12(a);
- (ii) if the documents are given after your acceptance and before the end of the Offer Period, Kingsgate will pay or provide you with the consideration by the end of whichever of the following periods ends first:
 - (A) 1 month after Kingsgate is given the documents; and
 - (B) 21 days after the end of the Offer Period; or
- (iii) if the documents are given after the end of the Offer Period, Kingsgate will pay or provide you with the consideration within 21 days after the documents are given.

- (c) Delivery of holding statement

Subject to the Corporations Act, Kingsgate will send a holding statement for the Kingsgate Shares due to you at your risk by pre-paid ordinary mail, or in the case of an address outside Australia by airmail, to the address shown in the Acceptance Form.

- (d) Registration of Kingsgate Shares

Kingsgate has established a share register in Perth, Australia. The Kingsgate Shares issued to you will be placed on this register.

12.13. Return of documents

If any contract arising from this Offer is rescinded by Kingsgate on the grounds of a breach of a condition of that contract, Kingsgate will, at its election, either return by post to you at the address shown on the Acceptance Form any Acceptance Form and any other documents sent with it by you, or destroy those documents and notify the ASX of this.

12.14. Rights

If Kingsgate becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give to Kingsgate all documents necessary to vest title to those Rights in Kingsgate. If you do not give those documents to Kingsgate, or if you have received or are entitled to receive (or any previous holder of your Laguna Shares has received or is entitled to receive) the benefit of those Rights, you must pay the amount (or value as reasonably assessed by Kingsgate) of such Rights to Kingsgate.

12.15. Acceptance by Foreign Ineligible Shareholders

If you are a Foreign Ineligible Shareholder and you accept this Offer you will not be entitled to receive a payment or the provision of Kingsgate Shares (if any) as consideration for your Laguna Shares. Instead Kingsgate will:

- (a) arrange for the issue to a nominee approved by ASIC of the number of Kingsgate Shares to which you and all other Foreign Ineligible Shareholders would have been entitled but for this Section and the equivalent Section in each of the Offers;
- (b) cause those Kingsgate Shares to be offered for sale on ASX as soon as practicable after the end of the Offer Period and otherwise in such manner, at such price and on such terms as are determined by the nominee; and
- (c) cause the amount ascertained in accordance with the formula below to be paid to you:

$$\text{net proceeds of sale} \times \frac{\text{your Kingsgate Shares}}{\text{total Kingsgate Shares}}$$

net proceeds of sale is the amount remaining after deducting the expenses of sale and of appointing the nominee from the total proceeds of sale of the Kingsgate Shares issued to the nominee under this Section and the equivalent Section in each of the Offers;

your Kingsgate Shares is the number of Kingsgate Shares (if any) which would, but for this Section, have been issued to you; and

total Kingsgate Shares is the total number of Kingsgate Shares issued to the nominee under this Section and the equivalent Section in each of the Offers.

You will be paid by cheque in Australian currency. The cheque will be sent at your risk by pre-paid airmail to the address shown in the Laguna register last received by Kingsgate.

12.16. Unmarketable parcels of Kingsgate Shares

If you accept this Offer and the total number of Kingsgate Shares (if any) you are entitled (but for this Section) to receive as consideration under this Offer is an unmarketable parcel, you will not be entitled to receive Kingsgate Shares as consideration for your Laguna Shares. Instead, you will receive a cash amount for your Laguna Shares under arrangements similar to Section 12.15 which will apply to the Kingsgate Shares (if any) which you would have been entitled (but for this Section) to receive as consideration, as if you were a Foreign Ineligible Shareholder. The cash amount you will receive will be calculated and paid in accordance with Section 12.15 as if you were a Foreign Ineligible Shareholder.

12.17. Clearances for offshore residents and others

If at the time you accept this Offer or at the time the consideration is paid or provided under it:

- (a) any authority or clearance of the Reserve Bank of Australia or the Australian Tax Office is required for you to receive any consideration to be paid or provided under this Offer; or
- (b) you are resident in or a resident of a place to which, or you are a person to whom any of the following applies:
 - (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
 - (ii) the Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002 (Cth);
 - (iii) the Charter of the United Nations (Sanctions - Afghanistan) Regulations 2001 (Cth);
 - (iv) the Iraq (Reconstruction and Repeal Sanctions) Regulations 2003 (Cth); or
 - (v) any other law of Australia or elsewhere that would make it unlawful for Kingsgate to pay or provide the consideration for your Laguna Shares,

then your acceptance of this Offer does not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until you obtain all requisite authorities or clearances.

12.18. Costs and stamp duty

Kingsgate will pay all costs and expenses of the preparation and circulation of the Offers and any stamp duty payable on the transfer of any Laguna Shares to Kingsgate.

12.19. Offerees

- (a) Registered holders

Kingsgate is making an offer in the form of this Offer to:

- (i) each holder of Laguna Shares registered in the register of members of Laguna at the Register Date (other than Kingsgate); and
- (ii) each holder of Convertible Securities registered in the register of Laguna Options and in the register of holders of Laguna Equity Participation Shares and in the register of Laguna Contingent Share Entitlements at the Register Date.

- (b) Transferees

This Offer extends to any person who is able during the Offer Period to give good title to a parcel of your Laguna Shares. That person may accept (if they have not already accepted an offer in the form of the Offer) as if an offer on terms identical to this Offer had been made to them for those Laguna Shares.

- (c) Trustees and nominees

If during the Offer Period and before you accept this Offer your Laguna Shares consist of 2 or more separate parcels within the meaning of section

653B of the Corporations Act (for example, because you are a trustee or nominee for several distinct beneficial owners), section 653B of the Corporations Act will apply so that:

- (i) Kingsgate is taken to have made a separate Offer to you for each separate parcel of Laguna Shares; and
 - (ii) acceptance by you of the Offer for any distinct parcel of Laguna Shares is ineffective unless:
 - (A) you give Kingsgate notice in accordance with Section 12.26(d) stating that your Laguna Shares consist of separate parcels; and
 - (B) your acceptance specifies the number of Laguna Shares in each separate parcel to which the acceptance relates.
- (d) Notices by Trustees and Nominees
- The notice required under Section 12.26(c)(ii)(A):
- (i) if it relates to Laguna Shares not in a CHESS Holding, must be in writing; or
 - (ii) if it relates to Laguna Shares in a CHESS Holding, must be in an electronic form approved under the ASX Settlement Rules for the purposes of Part 6.8 of the Corporations Act.

12.20. Variation and withdrawal of Offer

- (a) Variation
- Kingsgate may vary this Offer in accordance with the Corporations Act.
- (b) Withdrawal
- In accordance with section 652B of the Corporations Act, Kingsgate may withdraw this Offer with the written consent of ASIC and subject to the conditions (if any) which apply to that consent.

12.21. Governing law

This Offer and any contract resulting from acceptance of it are governed by the law in force in New South Wales.

13. DEFINITIONS AND INTERPRETATION

13.1. Definitions

The following definitions apply in interpreting this Bidder's Statement and the Acceptance Form, except where the context makes it clear that a definition is not intended to apply.

Acceptance Form means the form with that title that accompanies this Bidder's Statement.

Akara means Akara Mining Limited.

Announcement Date means the date of announcement of the Takeover Bid by Kingsgate, being 25 October 2010.

Approval means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

ASIC means the Australian Securities and Investments Commission.

Associates has the meaning given in section 12(2) of the Corporations Act.

ASX means ASX Limited (ABN 48 001 314 503) or, if the context requires, the financial market operated by it.

ASX Listing Rules means the listing rules of ASX.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Rules means the operating rules of the settlement facility provided by ASX Settlement (which rules are named the “ASX Settlement Operating Rules”).

BID means the Takeover Bid Implementation Deed between Kingsgate and Laguna, dated 25 October 2010.

Bid Period means the day on which this Bidder’s Statement is first given to ASIC, ASX and Laguna, and ending:

- one month later if no Offers are made under the Takeover Bid; and
- at the end of the Offer Period.

Bidder’s Statement means this document, being the statement made by Kingsgate under Part 6.5 Division 2 of the Corporations Act relating to the Takeover Bid.

Broker means a person who is a share broker and participant in CHES.

Central Pacific Minerals means Central Pacific Minerals NL (ACN 008 460 651).

Chatree North Processing Plant means the ore processing plant currently under construction adjacent to the existing Chatree processing plant and expected to be commissioned in the September quarter of 2011.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement (and another ASX subsidiary), for the purpose of settling transaction in certain financial products (including Laguna Shares), transferring certain financial products (including Laguna Shares) and registering transfers.

CHES Holding means a holding of shares on the CHES Subregister of Laguna.

CHES Subregister has the meaning set out in the ASX Settlement Rules.

Combined Kingsgate/Laguna Entity means Kingsgate following the acquisition by it of 100% of Laguna Shares under the Takeover Bid.

Competing Proposal means a proposal pursuant to which a person (other than Kingsgate or another entity in the Kingsgate Group) would, if the proposal were implemented substantially in accordance with its terms:

- (a) directly or indirectly, acquire an interest in all or a substantial part of the assets of Laguna;
- (b) directly or indirectly, acquire an interest, a relevant interest in or become the holder of more than 20% of the Laguna Shares;
- (c) acquire control of Laguna, within the meaning of section 50AA of the Corporations Act; or

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- (d) otherwise acquire or merge with Laguna (including by way of a scheme of arrangement, reverse takeover bid or dual listed companies structure).

Controlling Participant has the meaning set out in the ASX Settlement Rules.

Convertible Securities means the Laguna Options, the Laguna Equity Participation Shares and the Laguna Contingent Share Entitlements, on issue at the Register Date.

Corporations Act means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC.

CPM Scheme means the separate schemes of arrangement for each of the four classes of Central Pacific Minerals securities in respect of the acquisition by Laguna (then called Southern Pacific Petroleum NL) of all of the shares held in Central Pacific Minerals, in exchange for the issue of Laguna Shares, which was implemented on 8 March 2002.

Defeating Conditions has the meaning given in the BID.

Dominion means Dominion Mining Limited (ABN 37 000 660 864).

Dominion Options means an option to acquire one unissued Dominion Share.

Dominion Optionholder means a person who is registered in the Dominion option register as a holder of Dominion Options.

Dominion Option Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Dominion and the Dominion Optionholders, as more fully described on page [6].

Dominion Schemes means, as the context requires, either or both of the Dominion Share Scheme and the Dominion Option Scheme.

Dominion Share means a fully paid ordinary share in the capital of Dominion.

Dominion Shareholder means a person who is recorded in the Dominion share register as a holder of Dominion Shares.

Dominion Share Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Dominion and the Dominion Shareholders as more fully described on page [6].

Dominion Website means the website displayed at: <http://www.dml.com.au>

Encumbrance means:

- (a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;
- (b) a notice under section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953 (Cth) or any similar legislation;
- (c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);
- (d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
- (e) an agreement to create anything referred to above or to allow any of them to exist.

Foreign Ineligible Shareholder means a person whose address as shown in the register of members of Laguna is in a jurisdiction other than Australia and its external territories or New Zealand, unless Kingsgate determines otherwise, being satisfied by the law of that jurisdiction that it is lawful and not onerous to make the Offer to that person and to issue them with Kingsgate Shares and that it is lawful for that person to accept the Offer.

foreign law means a law of a jurisdiction other than an Australian jurisdiction.

Forward Work Program means the program to expend capital to develop Laguna's assets as intended by Kingsgate and as set out in Section 6.6(b).

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets. It includes ASIC and ASX (and any other stock exchange).

GST has the same meaning as in A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Implementation Date means the date on which the Dominion Schemes are to be implemented, which is expected to be 21 February 2011.

Indicated Mineral Resource has the meaning given to it in Appendix 5A of the ASX Listing Rules.

Inferred Mineral Resource has the meaning given to it in Appendix 5A of the ASX Listing Rules.

IRESS means IRESS Market Technology Ltd.

Issuer Sponsored Holding means a holding of Laguna Shares on Laguna's issuer sponsored sub-register.

JORC means the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (as revised and updated from time to time).

Kingsgate means Kingsgate Consolidated Limited (ABN 42 000 837 472).

Kingsgate 2010 Annual Report means the annual report of Kingsgate for the financial year ended 30 June 2010 as lodged with the ASX on 26 October 2010.

Kingsgate Board means the board of directors of Kingsgate.

Kingsgate Constitution means Kingsgate's constitution.

Kingsgate Directors means the directors of Kingsgate.

Kingsgate Group means Kingsgate and its related bodies corporate.

Kingsgate Shares means fully paid ordinary shares in Kingsgate.

Laguna means Laguna Resources NL (ABN 36 008 460 366).

Laguna Board means the board of directors of Laguna.

Laguna Contingent Share Entitlements means the contingent rights (granted under the CPM Scheme) to be issued with a Laguna Share, a Laguna Partly Paid Share or a Laguna Equity Participation Share.

Laguna Directors means the directors of Laguna.

Laguna Equity Participation Shares means partly paid shares in Laguna issued or agreed to be issued under Article 5A of Laguna's former constitution.

Laguna Group means Laguna and its related bodies corporate.

Laguna Options means options to subscribe for Laguna Shares and does not include the Laguna Contingent Share Entitlements.

Laguna Partly Paid Shares means partly paid ordinary shares in Laguna having a total issue price of \$12.50 per share.

Laguna Shares means fully paid ordinary shares in Laguna and, except where the context requires otherwise, the Laguna Partly Paid Shares.

Measured Mineral Resource has the meaning given to it in Appendix 5A of the ASX Listing Rules.

Mineral Resource has the meaning given to it in Appendix 5A of the ASX Listing Rules.

Offer means the offer as set out in Section 12 of this Bidder's Statement (or, if the context so requires, Section 12 of this Bidder's Statement itself) and includes a reference to that offer as varied in accordance with the Corporations Act.

Offer Period means the period referred to in Section 12.6 of this Bidder's Statement.

Offers means the Offer and each of the other offers made in the same terms for Laguna Shares (subject to allowable differences under section 619 of the Corporations Act) and includes a reference to those offers as varied in accordance with the Corporations Act.

Option Scheme Consideration means the consideration to be provided by Kingsgate under the Dominion Option Scheme, as set out on page [6].

Ore Reserve has the meaning given to it in Appendix 5A of the ASX Listing Rules.

pa means per annum.

PricewaterhouseCoopers means PricewaterhouseCoopers (ABN 52 780 433 757). PricewaterhouseCoopers is a regulated multi-disciplinary partnership in certain States of Australia.

Probable Ore Reserve has the meaning given to it in Appendix 5A of the ASX Listing Rules.

Proved Ore Reserve has the meaning given to it in Appendix 5A of the ASX Listing Rules.

Register Date means the date set by Kingsgate under Section 633(2) of the Corporations Act.

Rights means all accretions and rights attaching to Laguna Shares at or after the Announcement Date (including all rights to receive dividends and other distributions declared or paid and to receive or subscribe for shares, notes or options issued by Laguna).

S&P ASX200 index means the index of that name published by Standard & Poor's (or any successor of or replacement for that index).

Scheme means the proposal by Kingsgate to acquire all of the issued shares in Dominion by way of a scheme of arrangement, as more fully described in the Kingsgate company announcement to the ASX on 20 October 2010.

Scheme Record Date means the time and date for determining Dominion Shareholders entitled to receive Share Scheme Consideration and Dominion Optionholders entitled to receive Option Scheme Consideration, being 7.00pm on the fifth business day after the Effective Date (as that term is defined in the Dominion Schemes), or such other date and time (after the Effective Date), as Dominion and Kingsgate agree in writing.

Security Transfer Registrars means Security Transfer Registrars Pty Ltd (ACN 008 894 488).

Share Scheme Consideration means the consideration to be paid or provided by Kingsgate under the Dominion Share Scheme, as set out on page [6].

Takeover Bid means the takeover bid constituted by the Offers.

Takeover Transferee Holding means the CHESS Holding to which Laguna Shares are to be transferred under the ASX Settlement Rules after acceptance of the Offer.

Triple Combined Entity means Kingsgate following the acquisition by it of control of Laguna (within the meaning of s50AA of the Corporations Act) under the Offer and 100% of Dominion under the Dominion Schemes.

unmarketable parcel means a number of Kingsgate Shares with a total value of less than \$500, calculated based on the highest closing price for Kingsgate Shares on the ASX during the Bid Period.

WST means Western Standard Time.

your Laguna Shares means, subject to Section 12.26, the Laguna Shares:

- (a) of which you are registered or entitled to be registered as the holder in the register of members of Laguna at the Register Date and any new Laguna Shares of which you are registered or entitled to be registered as the holder on the register of members of Laguna from the Register Date to the end of the Offer Period as a result of the conversion of, or exercise of rights attached to, Convertible Securities; and
- (b) any other Laguna Shares, to which you are able to give good title at the time you accept this Offer during the Offer Period.

13.2. Interpretation

- (a) Words and phrases which are defined by the Corporations Act have the same meaning in this Bidder's Statement and the Acceptance Form and, if a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act, have that special meaning.
- (b) Headings are for convenience only, and do not affect interpretation.

The following rules also apply in interpreting this Bidder's Statement and the Acceptance Form, except where the context makes it clear that a rule is not intended to apply:

- (i) a singular word includes the plural, and vice versa;
- (ii) a word which suggests one gender includes the other genders;

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- (iii) if a word is defined, another part of speech has a corresponding meaning;
 - (iv) unless otherwise stated references in this Bidder's Statement to Sections, paragraphs and sub-paragraphs are to Sections, paragraphs and sub-paragraphs of this Bidder's Statement;
 - (v) a reference to a person includes a body corporate; and
 - (vi) a reference to any legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (vii) a reference to **A\$** is to the lawful currency in Australia;
 - (viii) a reference to **US\$** is to the lawful currency in the United States of America;
 - (ix) a reference to **Mlb**, **t** or **Mt** is to million imperial pounds, metric tonnes and million metric tonnes respectively; and
 - (x) appendices to this Bidder's Statement form part of it.

Dated 30 November 2010

Signed on behalf of Kingsgate Consolidated Limited by Ross Smyth-Kirk, who is authorised to sign by a resolution unanimously passed at a meeting of the Kingsgate Board.

A handwritten signature in black ink, appearing to read 'Ross Smyth-Kirk', with a stylized flourish at the end.

Ross Smyth-Kirk

Director

ANNEXURE A

ASX ANNOUNCEMENTS BY KINGSGATE SINCE THE DATE OF LODGMET OF THE KINGSGATE 2010 ANNUAL REPORT ON 26 OCTOBER 2010

Date	Announcement
26/10/2010	Notice of Initial Substantial Holder for LRC
29/10/2010	Quarterly Activities Report
18/11/2010	High Grade Gold Intersections
18/11/2010	Chairman's Address to Shareholders at Kingsgate AGM
18/11/2010	Managing Director / CEO Address 2010 AGM
18/11/2010	CEO's Presentation 2010 AGM
18/11/2010	Results of 2010 AGM
25/11/2010	Kingsgate Consolidated Limited Constitution
29/11/2010	Notice of Change of Interests of Substantial Holder for LRC

ANNEXURE B
ASX ANNOUNCEMENTS BY LAGUNA SINCE THE LODGMENT OF
THE HALF-YEARLY ACCOUNTS ON 3 SEPTEMBER 2010

Date	Announcement
09/09/2010	Notice of Change of Interests of Substantial Holder
16/09/2010	JORC Resource Update
06/10/2010	Notice of Change of Interests of Substantial Holder
15/10/2010	Trading Halt
18/10/2010	Suspension from Official Quotation
22/10/2010	Appendix 3B
25/10/2010	Reinstatement to Official Quotation
25/10/2010	KCN: Recommended Takeover Offer by Kingsgate for Laguna
25/10/2010	Takeover Offer by Kingsgate Consolidated Limited
26/10/2010	Notice of Initial Substantial Holder from KCN
27/10/2010	Becoming a substantial holder
29/10/2010	Change in substantial holding
01/11/2010	Quarterly Activities Report
01/11/2010	Quarterly Cashflow Report
03/11/2010	Change in substantial holding
03/11/2010	Change of Directors Interest Notice x 3
09/11/2010	Notice of Ceasing to be a Substantial Holder
10/11/2010	Becoming a substantial holder
12/11/2010	Change in substantial holder
16/11/2010	Becoming a substantial holder
17/11/2010	Change in substantial holding
24/11/2010	Becoming a substantial holder

26/11/2010	Appendix 3B
29/11/2010	Notice of Change of Interests of Substantial Holder from KCN